

FINANCIAL INFORMATION FORUM

5 Hanover Square
New York, New York 10004

212-422-8568

Via Electronic Delivery

November 1, 2013

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

Re: MSRB Notice 2013-14 - Concept Release On Pre-Trade and Post-Trade Pricing Data Dissemination through a New Central Transparency Platform

Dear Mr. Smith,

The Financial Information Forum (FIF)¹ would like to take this opportunity to comment on MSRB Notice 2013-14 - Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination through a New Central Transparency Platform ("Concept Release"). We appreciate the MSRB's willingness to receive feedback on these important issues, many of which will have significant operational impact if adopted. We would also like to thank Justin Pica of the MSRB for discussing the Concept Release with the FIF Back Office Committee. Achieving a better understanding of the intent behind the various proposals was a helpful and informative exercise.

With respect to the Concept Release, FIF respectfully makes the following recommendations:

1. Increase transparency by implementing achievable post-trade proposals
 - a. Transaction yield curves consistently calculated and displayed by MSRB
 - b. Improve consistency of transaction reporting with indicators to identify trades where there is no trade-based compensation
 - c. Consider role of indicators to identify trades with affiliated entities
 - d. Repurpose Existing Indicator for List Offering Price and RTRS Takedown Transactions
2. Assess the benefits of post-trade proposals that will require considerable implementation effort
3. Consider the fundamental behavioral and operational challenges associated with pre-trade reporting before addressing specific implementation details

FIF's perspective on each of the proposals of the Concept Release is discussed in more detail below.

Increase Transparency by Implementing Achievable Post-Trade Proposals

FIF supports MSRB's efforts to continually improve transparency within the municipal marketplace and believes that the following post-trade reporting proposals should be considered for future rule-making and ultimate adoption.

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the securities industry across the order lifecycle. Our participants include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

Transaction Yields Consistently Calculated and Displayed by MSRB

The Concept Release seeks comments as to whether MSRB should modify the yield reporting components of trade reporting. FIF recommends that MSRB itself should compute yield to worst for customer trades, as it currently does for inter-dealer trades and remove the requirement for dealers to include yield on reports of customer transactions. FIF recommends that MSRB make the determination as to whether to offer additional yields beyond yield to worst. MSRB calculating yields would avoid differences in yield calculations across dealers due to security master differences. Additionally, harmonization with TRACE to the greatest extent possible is also recommended. With MSRB calculating yields, errors relating to yields would be eliminated as would the corresponding effort to resolving errors with yield calculations which takes time and resources. In addition to reducing the compliance and operations burden on dealers, this approach would also improve consistency for customers. To put this metric into context for investors, FIF recommends displaying the date used to calculate yield to worst (i.e. by call date, effective life or maturity date).

Improve Consistency of Transaction Reporting with Indicator for Trades with No Trade-Based Compensation

FIF understands that MSRB is interested in identifying those trades that were made under wrap or managed accounts where there is no trade-based compensation in order to determine why a price is lower and to assist in best execution determinations. We believe that an indicator for accounts where there is no trade-based compensation would achieve this goal. Firms could establish whether to apply this indicator by querying the account classification associated with the investor. It is our understanding that subsequent rule-making would be required to enact this proposal. As part of that process, FIF would look to work with the MSRB to establish an implementation date that would provide sufficient time for firms to establish this functionality.

Indicators to Identify Trades with Affiliated Entities

FIF understands that the Concept Release is proposing to identify trades with affiliated entities in situations where there is a unique corporate structure involving a bank and broker dealer entity. However, FIF members believe there is an opportunity to also address situations involving a corporate structure with two broker dealers (institutional and retail) where executions with the street are handled by the institutional broker dealer and the retail broker dealer handles customer-facing transactions. These transactions, while inter-company movements, are currently reported to the tape. FIF would welcome further discussions with the MSRB to determine if an indicator to identify trades between affiliated broker dealer entities might be used to exclude such transactions from tape reporting.

Repurpose Existing Indicator for List Offering Price and RTRS Takedown Transactions

It is our understanding that MSRB is trying to determine if these indicators still have value. FIF believes that the only value of these indicators is their role in identifying trades that are subject to the end of day exception. Since the list price, not the take down price, is what is relevant to the market, FIF recommends repurposing this indicator to solely identify those trades subject to the end of day exception. FIF also recommends considering extending the end of day exception to dealers that are not part of the syndicate or selling group if the dealer trade is being executed at the list offering price and allocated at the list offer price (i.e. Investment Advisor subsidiary).

Assess the Benefits of Post-Trade Proposals That Will Require Considerable Implementation Effort

The remaining post-trade proposals will entail considerable implementation effort that may not be justified by the benefits associated with these proposals. Each proposal is discussed in more detail below.

Potential New Indicator for Conditional Trading Commitments (CTCs)

It is our understanding that MSRB is considering an indicator for CTCs as well as a separate date and time field to indicate when the CTC was agreement was made. This new date and time would not supersede the trade date

and time but would be an additional field of information. We also understand that no change to trade reporting obligations is contemplated. FIF members are concerned about the impact of another date and time field included in the trade reporting record. Adding a new field may have system consequences for existing rules engine and other logic surrounding booking the trade. Additionally, the information required to populate the CTC fields may not be stored in the same system as the trade reporting data. While just adding an indicator would reduce the implementation effort, there would still be a need to link systems not currently connected.

Potential Indicator for Retail Order Periods/Retail Customers

FIF understands that the MSRB is looking to provide more information regarding identifying customers as institutional, retail, etc. FIF members question the value of making these distinctions and believe it is important to recognize that the definition of retail customer varies from issue to issue which may lead to investor confusion. If MSRB were to adopt a universal definition of retail customer, that definition would have to be integrated into front and back end systems. In general, order systems are not linked to trade systems which would make this a difficult request to implement.

Market of Execution

FIF understands that MSRB is considering going beyond the existing broker's broker indicator to include an ATS/ECN indicator. FIF believes this would require significant implementation work and questions the value of including this information given that time and price are the main elements of transparency and are already provided. The fact that some ATs/ECNs are not a part to the trade further complicates implementation.

Away From Market Transactions

FIF does not believe away from the market transactions should be disseminated publicly and questions whether they should even be reported for surveillance purposes. It is worth noting that TRACE does not require reporting of such transactions. Especially given the minimal number of repos on municipal securities, FIF recommends revisiting the value of reporting these transactions.

Consider the Fundamental Behavioral And Operational Challenges Associated With Pre-Trade Reporting

There are several operational and behavioral challenges that would need to be addressed in order to have accurate pre-trade data. It is important to recognize that the municipal security market does not have the velocity or volume of trading that the equity markets do and that the market structure for municipals is not conducive to a consolidated, pre-trade view of the marketplace. For pre-trade transparency to be accurate a number of factors must be addressed including:

- Integrating voice trading into a pre-trade reporting regime. Outside of ATs that act as a party to the trade, manual order entry processes would need to either be automated or accommodated into pre-trade reporting processes. FIF believes this will be a costly and cumbersome process.
- Addressing duplicate or stale bids. Today, customers place bids on multiple venues. If dealers were to enter bids there would be an exaggeration of actual interest. There is not enough information available today in trade reports to accurately filter out duplicative bids. Rigorous quality control will be required.
- Lack of supporting infrastructure and accompanying processes. Implementing a pre-trade regime would require new infrastructure and processes for the collection, storage and dissemination of pre-trade data. Managing this process and establishing the infrastructure will be a costly process that may be hampered by accuracy issues discussed above.

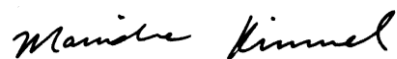
FIF believes that providing pre-trade data that is comprehensive and current is a significant challenge for the industry. FIF questions the benefit of knowing information about bids when there are no actual trades. The benefits of providing pre-trade reporting need to be weighed against the significant implementation and on-

going cost. Additionally, it is premature to determine data elements and protocols for submission until the fundamental questions surrounding the value of the data are addressed.

Rather than focusing on pre-trade data, FIF recommends implementing the achievable proposals which would increase transparency as described above.

In conclusion, FIF would like to thank the MSRB for providing the opportunity to comment on the proposed changes. We look forward to commenting on future rule filings that result from the concept release process in order to achieve efficient, cost-effective and beneficial regulation.

Regards,

A handwritten signature in black ink that reads "Manisha Kimmel". The signature is written in a cursive, flowing style.

Manisha Kimmel
Executive Director
Financial Information Forum