

March 31, 2014
Mr. Ronald W. Smith
Corporate Secretary, MSRB
1900 Duke Street, Suite 600
Alexandria, VA 22314

***Re: MSRB Notice 2014-02 February 19, 2014 – Request for Comment on
Draft Best-Execution Rule, Including Exception for Transactions with
Sophisticated Municipal Market Professionals***

Dear Mr. Smith:

NYSE Euronext (the “Exchange”) appreciates the opportunity to comment on the Municipal Securities Rulemaking Board’s (“MSRB”) Request for Comment on Draft Best Execution Rule, Including Exception for Transactions with Sophisticated Municipal Market Professionals (the “Proposal”).¹ Although the Exchange believes additional changes to the rule would further strengthen its impact, enacting the Proposal would help create a more transparent and fair market for all investors, particularly retail investors.

Best Execution

The stated objective of the Proposal is “to use the best-execution standard to promote higher quality trade executions for customers engaging in municipal securities transactions.” The Proposal seeks to attain its goals by harmonizing execution standards in the municipal securities market with those of other securities markets, including corporate bonds, while accommodating real differences in market structure between the NMS securities and municipal securities.

The Proposal correctly requires dealers to use reasonable diligence in satisfying their obligation to obtain the most favorable price for their customers under prevailing market conditions and sets forth a non-exhaustive list of factors that dealers would have to consider in satisfying its diligence obligations. For example, one factor would take into account the number of markets a dealer checked, as well as how the dealer determined the current market for the subject securities. The Proposal goes on to state that the term “market” encompasses a variety of venues including alternative trading systems and platforms.

As mentioned, the standards in the Proposal are largely taken from existing FINRA rules governing trading in other securities, including corporate bonds. The Exchange notes that although these same best execution obligations apply to dealers in corporate bonds, the Exchange consistently observes corporate bond trades on FINRA TRACE reported at prices inferior to

¹ MSRB Notice 2014-02 (February 19, 2014) <http://msrb.org/~media/Files/Regulatory-Notices/RFCs/2014-02.ashx?n=1>

quotes available on the Exchange's bond trading platform.² For this reason, the Exchange believes that the Proposal's objective to promote higher quality trade executions for customers engaging in municipal securities transactions would be furthered by clarifying that a dealer has NOT satisfied its best execution obligation if it ignores a superior price available on another "market" that offers fair access, transparent pricing and offers firm electronic quotes.

Increased Price Transparency

The fragmented view of dealer inventory and limited distribution of "bids wanted" price information contribute to the opacity of the municipal securities market. The Exchange believes that the creation of a consolidated feed of these data would be an extremely powerful information tool for customers engaging in municipal securities transactions. The Exchange appreciates the MSRB's efforts to address some of these issues through the 2013 Concept Release on Pre-Trade and Post-Trade Pricing Data Dissemination Through a New Central Transparency Platform³ and the Securities and Exchange Commission's 2012 Report on the Municipal Securities Market, which made similar recommendations.⁴ A consolidated feed would increase market transparency, facilitate retail investors' ability to make informed investment decisions, enhance a broker's best execution process, and improve regulator's surveillance of the market. Accordingly, we believe that for investors to fully realize the benefits of a best execution rule, the MSRB should propose a rule that will advance the efforts of pre-trade transparency.

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The Exchange appreciates the opportunity to comment on the Proposal. We believe this Proposal can help to foster a more fair, open, and transparent investment environment.

Please contact Sudhir Bhattacharyya at (212) 656-2920 or Kevin Molloy at (212) 656-6918 if you have any questions.

Sincerely,



² The Exchange currently supports trading for corporate bonds of companies listed on NYSE. The platform offers fair access, full price transparency, and truly live executable quotes.

³ Municipal Securities Rulemaking Board, Long-Range Plan for Market Transparency Products, January 27, 2012, <http://www.msrb.org/msrb1/pdfs/Long-Range-Plan.pdf>

⁴ Securities and Exchange Commission, [Report on the Municipal Securities Market](#), July 31, 2012