Comment on Notice 2016-07

from G. Lettieri, Breena Llc

on Thursday, March 10, 2016

Comment:

Municipal pricing is a function of the Duration of the Bond (Maturity) and the Coupon.

Pricing of Municipals is supposed to be simple and stable.

After Issuance, Municipals are not functions of interest rates. Treasuries tend to be functions of interest rates ,not Municipals.

Municipals have a fixed Coupon that doesn't change with Interest Rates and neither does the Duration change. Municipal Bond prices
should be relatively stable.

The current problem for Investors and Dealers is a lack of liquidity in the Municipal Market ,and consequently, this becomes a problem for accurate and stable pricing. There is no proper and stable pricing without liquidity.

Finra rules deal with stocks and unique stock fundamentals; the fundamentals of Municipal Bonds are vastly different from stocks and do not follow the same rules. For that matter, the four major Bond types, Treasuries, Agencies, Municipals and Corporates are each different and unique, so that the same rules for one type do not necessarily apply to the other.

We believe, the challenges of the Municipal Market revolve around Liquidity and Proper Issuance to start. Then pricing with satisfying commissions for Dealers and enticing prices for Investors to buy or sell will follow. In our view, this challenge is not difficult to achieve with no one being fearful ,but all prospering from a stable Municipal market.