BDA
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November 27, 2018

Submitted Electronically

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

RE: Request for Information on the Accessibility, Methodology and Utility of Indices, Yield Curves and Other Benchmarks.

Dear Mr. Smith:

On behalf of the Bond Dealers of America ("BDA"), I am pleased to submit this letter in response to the MSRB's Notice 2018-20 (the "Notice"): The Request for Information on the Accessibility, Methodology and Utility of Indices, Yield Curves and Other Benchmarks. The BDA is the only DC-based group representing the interests of securities dealers and banks exclusively focused on the U.S. fixed income markets. We welcome this opportunity to present our comments.

General

The BDA appreciates the opportunity to provide information on methodologies, benchmarks, and usage by market participants in order to assist the MSRB's efforts to continuously improve market transparency and efficiency. The BDA surveyed membership on the requested questions in the Notice and below are the aggregated responses. In general, the BDA encourages the MSRB to examine benchmarks, yield curves and pricing services and their respective influence on the securities municipal market. We look forward to continued engagement with the MSRB on evolving market issues.

Benchmarks and their Usage in the Municipal Bond Market

While the spread of responses was similar in scope, the majority of respondents rely on yield curves as their top benchmark. While yield curves were the favored method, both indices as well other products are used widely in the municipal securities market.

All respondents confirmed that the benchmarks mentioned above were used for new issue pricing. A majority claimed use for block-size dealer bids and for institutional investor bids and offers in the secondary market. While the usage of benchmarks for retail-size dealer bids and offers and for individual investor bids and offers in the secondary market exists, it occurs much

less often. It should also be noted that market participants usually use multiple benchmarks and that third party pricing service evaluations are routinely taken into consideration.

Usage of Inputs in the Creation of Benchmarks

The BDA survey found that participants use a wide variety of inputs in order to create benchmark for the municipal securities market. New issue pricings and trade data topped the list for the most commonly used. Most also use secondary market quote data as well as observations and opinions.

Transparency and Integrity of Benchmarks

The degree of transparency appears to be an area of disagreement across membership. Some members believe that the benchmarks currently available in the municipal market are sufficiently transparent. One member noted that unique disclosures and credit ratings make it challenging for transparency benchmarks and can render them not viable for a one size fits all approach. Having better access to EMMA data could be a solution for better transparency. One area of consensus is that a lack of metric consistency is problematic market wide, however, it is also noted that it would be harmful to add another layer of regulation.

International Organization of Securities Commissions' (IOSCO) Principles for Financial Benchmarks

There were differing opinions across membership on whether IOSCO Principles are appropriate for benchmarks in the municipal securities market. Some agreed that they are appropriate while others were unfamiliar and cautious of the efficacy of an international benchmark application to the US municipal securities market.

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If you or your staff has any questions or need additional information, please do not hesitate contact me directly at 202.204.7901 or mnicholas@bdamerica.org. We look forward to your response.

Sincerely,

Michael Nicholas
Chief Executive Officer
Bond Dealers of America