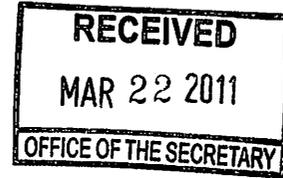


March 16, 2011

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090



RE: File Number SR – MSRB 2011 - 03
SEC Request for Comment on MSRB Rule G-23
on the Underwriting Activities of Financial Advisors.

Dear Ms. Murphy:

As managing director of a municipal underwriting department with more than 30 years of experience in the underwriting, trading, and sales of municipal bonds, I am writing to express my professional view of the proposed rule change of G-23 as it relates to the underwriting activities of financial advisors.

The Commission should permit an exemption for all competitively bid offerings.

The Commission should do so because (1) the underlying premise of the proposed rule is without reasonable basis and (2) can inflict economic harm on issuers. And the Commission is respectfully reminded...municipal issuers are acting on the behalf of an increasingly burdened taxpaying public. Harm issuers and you harm individual taxpayers.

First of all, the proposed change is based on a specious argument. That argument says that a conflict of interest might exist when a financial advisor acts as underwriter. The MSRB has used this rationale for the proposed change...a superficially plausible premise that a conflict of interest *might* exist when a broker-dealer financial advisor resigns to underwrite an issue of municipal bonds.

That a conflict of interest *might* exist does not seem to be a reasonable basis to effect a rule change. Moreover....any conflict of interest that *might* exist would be erased by permitting competitive bidding.

There is no evidence to support the MSRB’s over-reaching premise. The rule change has been proposed ...and yet...there has been no history of wrongdoing and there is no trade data to support adopting this change.

In written discussions and the ensuing media coverage, the MSRB and others have commonly used the words, “inherent” conflict of interest, “*prima facie*” conflict of interest, “perceived” conflict of interest... to describe the rationale for the rule change. ***But nowhere is there tangible proof that an actual conflict of interest exists..or moreover...that such conflict of interest has resulted in wrongdoing.***

MSRB Rule G- 23 was adopted in 1977. In those 34 years, how many enforcement actions, arbitrations, or even customer complaints...arising from switching roles...have been brought against municipal underwriters? To my professional knowledge, there is no evidence of wrongdoing or unethical behavior to support a rule whose purpose is to prevent these actions.

Furthermore... the (municipal) underwriting market is fiercely competitive. Inappropriate or unethical behavior cannot occur when there is truly...“a free and open market in municipal securities”. That is to say...competition and transparency resulting from a free and open market ...would prohibit inappropriate or unethical behavior by financial advisors acting as underwriters.

Secondly, the proposed rule change could prove to be economically harmful to taxpayers. Eliminating competitive bidders by rule could result in “one bid” situations where a sole bidder could bid an issue at a very cheap price relative to the market. Eliminating bidders could also result in “no bid” situations which would effectively shut out an issuer from the municipal market place. Is this what the SEC wants to achieve?

In addition, eliminating bidders from the market place means that the SEC and the MSRB have arbitrarily decided to preclude best execution for the seller (the issuer). Best execution is a rule requiring brokers to always execute orders for clients at the best possible price. In this case, the client is the seller of the bonds...the issuer.

In conclusion, it does not seem reasonable that the SEC should adopt a rule change that would disadvantage sellers (issuers) over buyers by eliminating bidders in a competitive bid market. Buyers and sellers....issuers and investors... are protected by a market made transparent by competitive bidding.

Know that I appreciate having had the opportunity to comment on the proposed rule change.

Sincerely yours,



Carl Giles

