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Robert Coulter
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June 17, 2011

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

Sent via email to rule-comments@sec.gov

Re: File Number SR-MSRB-2011-03

Dear Ms. Murphy:

Thank you for the opportunity to provide further comment on the changes to MSRB Rule G-23. As you are aware, FirstSouthwest submitted three comment letters when changes to G-23 were contemplated last Fall. As we stated at that time, our position on Rule G-23 reflects what we feel is best for our clients and financial advisors. While we applaud the MSRB's effort to protect issuers from conflicts of interest, we are concerned regarding how the changes to G-23 will affect small and/or infrequent issuers.

FirstSouthwest's October 19, 2010 comment letter described a review we conducted of our firm's practices regarding competitive bidding on issues where we had previously served as financial advisor. The results of that analysis reflected that we bid almost always on a competitive basis. There were numerous instances on small issues, if we had not bid on the competitive basis, the client would not have received a bid. In the absence of this ability to help our financial advisory clients, many issuers will be left with banks as their only source of financing, which may increase the costs of issuers and in turn, taxpayers.

While we are sensitive to the potential conflict of interest issues, we believe that clear and concise disclosure can be effective in mitigating any perceived conflict while preserving financing alternatives for small and/or infrequent issuers.

As we stated in our September 23, 2010 comment letter on this issue, we continue to believe that an exemption for competitively bid offerings under \$5 million in aggregate principal amount would be in the best interest of small issuers.

Thank you again for the opportunity to address the rule amendments. Please contact me directly if you have any questions or wish for me to expand on my comments.

Sincerely yours,

Robert Coulter
Senior Vice President
Chief Administrative Officer



Hill A. Feinberg
Chairman & CEO

October 19, 2010

Municipal Securities Rulemaking Board
1900 Duke Street – Suite 600
Alexandria, VA 22314

Ladies and Gentlemen:

Bond Buyer 10/14/10 – “FirstSouthwest often switches from serving as Financial Advisors to Underwriter in the same transaction”.

Statements such as the one above have created an incorrect perception as to whether FirstSouthwest switches often. We feel this is incorrect. We have done an internal review from 8/1/05 thru 7/31/10 when we responded to the G-23 request for comment. References: (Internal, Muni-Analytics, SDC)

Number of **Negotiated** issues that FirstSouthwest acted as Financial Advisor (“FA”):

- 1898 issues
- 21 issues that FirstSouthwest resigned as FA and underwrote

Average size of the negotiated underwriting

- 21 issues \$5,540,000

Number of **Competitive** issues that FirstSouthwest acted as FA:

- 2473 issues
- 269 issues FirstSouthwest received permission and **competitively underwrote**
(87 issues non-rated/182 issues rated)

Average size of the Competitive Underwriting (Rated vs. Non-rated)

- 87 issues non-rated \$3,766,000
- 182 issues rated \$4,642,000

We wanted to share this information with you and invite your inquiry.

Respectfully submitted, ~


Hill A. Feinberg

cc: Mary L. Schapiro

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Hill A. Feinberg
Chairman, CEO

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September 23, 2010

Municipal Securities Rulemaking Board
Attention: Leslie Carey, Associate General Counsel
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: Proposed Revisions to MSRB Rule (G-23)

Ladies and Gentlemen:

There **must be a level playing field.**

FirstSouthwest is a large Financial Advisor (FA) in the municipal business and one of the few registered as a Broker – Dealer.

Our position on Rule G-23 will reflect what we feel is best for our clients and the industry.

G-23 has been a fair policy and served clients and the industry well. Times have changed and we need some adjustments.

Our firm and other professionals operating in the municipal business **should be registered and conform to the same rules.** The requirements should **not be eased for firms only acting as a FA.** All parties need to observe the same rules regarding test requirements, document and e-mail retention, compliance and regulatory review. These requirements/rules are an expensive investment and should be imposed on all involved in any municipal transaction.

An important issue that has not been addressed in the current or proposed rule is that FA's should **not be allowed to serve as a principal** in any municipal transaction which includes a swap counter party, GIC provider or the reinvestment of proceeds.

We have a **considerable level of concern** regarding how the proposed **changes to G-23 will affect the small issuer** (we represent many small issuers) of less than \$5 million. Maybe have a **window on the small issuer**, but the issue **must be competitively bid.** Another exception to the proposed changes on small issues **should require that the POS and notice of sale be published at least 5 business days in advance of sale and available to the national market.**

We support the changes to Rule G-23 but there must be **one set of rules** for all the players in the municipal market.

First Southwest Company (“FirstSouthwest”) respectfully submits the following response to the Municipal Securities Rulemaking Board’s (“MSRB”) Notice 2010-27 (August 17, 2010) requesting comments on the underwriting activities of financial advisors and MSRB Rule G-23 (the “Rule”).

Summary

FirstSouthwest supports the periodic review of rules and regulations to analyze whether they continue to be necessary, effective and to offer the protections intended upon their enactment in light of current conditions. FirstSouthwest is supportive of the MSRB’s efforts on this topic and after extensive internal review, believes there should be some changes to the current Rule.

Waiting Periods / Multiple Issues

FirstSouthwest does not believe a dealer should be precluded for a specific timeframe from entering into a financial advisory relationship with an issuer after serving as an underwriter on one of the issuer’s prior offerings of securities. The limitations on dealers should be transaction specific and only apply to the transaction for which they are currently serving as underwriter.

Competitive Sales

Except for small offerings under \$5 million in aggregate principal amount, FirstSouthwest does not believe there should be an exception for competitively bid transactions. Except for these small competitively bid offerings, the prohibition of dealers serving as underwriter on transactions for which they have served as financial advisor to the issuer should apply to both negotiated and competitive transactions.

Small and/or Infrequent Issuers

As a financial advisory firm and dealer, FirstSouthwest is sensitive to issuers that are offering a small transaction that draws less interest from underwriters. Such issuers will be negatively affected by this proposed prohibition. After extensive internal review, FirstSouthwest believes there should be an exception for offerings under \$5 million in aggregate principal amount.

FirstSouthwest strongly requests that the MSRB make amendments to the Rule that are consistent with the comments set forth above.

Respectfully submitted,


Hill A. Feinberg
Chairman and CEO

CC: Ms. Mary L. Schapiro
Ms. Martha M. Haines