



March 21, 2011

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
Request for Comment on Rule G-23: Activities of Financial Advisors,
76 Fed. Reg. 10,926 (Feb. 28, 2011)

Dear Ms. Murphy:

RBC Capital Markets, LLC ("RBCCM") appreciates the opportunity to provide the Securities and Exchange Commission (the "SEC") with comments relating to File Number SR-MSRB-2011-03, the proposed amendments to MSRB Rule G-23: Activities of Financial Advisors (the "Proposed Amendments").

The Ability of a Financial Advisor to Competitively Bid Should be Preserved

We write to voice our objection to that portion of the Proposed Amendments which would prohibit a financial advisor to an issuer from obtaining the consent of the issuer to bid on competitively offered bonds. RBCCM believes that Rule G-23 (the "Rule") in its present form represents a comprehensive and balanced approach to addressing the needs of municipal issuers to access capital via a competitive bid at the lowest possible cost. Long before enactment of the Dodd-Frank Wall Street Reform Legislation, and consistent with the efforts of many in our industry, the Rule has required full disclosure of a financial advisory role by requiring a written agreement and allowing the issuer to make an informed decision by written consent should the financial advisor request the ability to bid on competitively offered bonds. The current Rule has been in place for many years and, while allowing issuers the flexibility and choice that the Rule permits, to our knowledge has not generated any history of abuse by dealers. The proliferation of electronic bidding platforms, and the newly mandated fiduciary standards for municipal advisors contained in the Dodd-Frank legislation further obviate the need for certain changes to Rule G-23 that only restrict issuer choice. In short, on our behalf and on behalf of the many issuers we serve, we do not believe the Proposed Amendments to Rule G-23 which prohibit a

financial advisor from bidding on competitively offered bonds should be implemented and further believe that the proposed changes would have adverse financial effects on issuers and the potential to disrupt certain areas of the market for municipal securities.

Adverse Consequences of Proposed Amendments

1. Financial Advisor as Competitive Bidder

The competitive bidding process for municipal issues has become almost exclusively electronic. The electronic process provides for a completely transparent, highly efficient and, to our belief, a tamper-proof process. We also believe that three classic fact patterns exist which will result in issuers paying greater debt service or perhaps render them unable to access the market if the Proposed Amendments are adopted. Issuers in rural jurisdictions, infrequent or small issuers, and those that issue non-rated bonds, in far too many instances, will be unable to access the market or will incur increased debt service if their financial advisor is prohibited from bidding. Given the fiscal challenges facing our state and local governments, any rule that adversely impacts the cost of issuing debt must serve a substantial and identifiable benefit to be justified. In the case of the Proposed Rule, the benefits do not outweigh the costs.

Attached as Exhibit "A", we have included a chart of instances in a single jurisdiction where our Firm serves relatively infrequent, not well known, small issuers of non-rated bonds. In every instance the issuer has received 3 or fewer bids despite, pursuant to state law, having advertised the competitive bid for 10 business days prior to the bids being due. Under state law, these issuers are required to issue these bonds via a competitive process. It does not require an industry study to appreciate that lesser known, infrequent issuers simply do not generate significant bidding interest.

Our clients, competitors and regulators already have the tools available to police the bidding process due to the availability of real-time information concerning the bidding results, the proliferation of Municipal Market Data (MMD) and SIFMA indices, and the development of real-time trade reporting on the Electronic Municipal Markets Access (EMMA) system. By removing the bid of the financial advisor under the Proposed Amendments, these issuers may end up being locked out of the market or the lowest bid would be removed from the process.

We have reviewed the commentary suggesting that the financial advisor could structure the transaction to give themselves an advantage, or may not be diligent in seeking other bidders in order to improve their chances of being the successful bidder. First and foremost, the financing structures used in these transactions are not unique. It is simply implausible to suggest the investors of one dealer do not demand the same structure regardless of who is financial advisor. Absent evidence of this occurring, it would be irresponsible to restrict issuer choice and increase debt service based upon theoretical concerns. Secondly, the performance of the bidding process is completely transparent and the bids are advertised, pursuant to state law requirements, for 10 business days. Finally, restricting issuer choice based upon the theory that financial advisors may not be diligent in seeking other bidders to improve their own chances assumes, without

evidence, that the financial advisor is breaching their both their fiduciary duty and fair dealing requirements and that no other less costly means of rectifying the breach exists. We simply fail to subscribe to this theory. The financial advisors will, pursuant to Dodd-Frank, all be registered and regulated entities and subject to both civil and regulatory enforcement should they place their own interests ahead of the issuer.

Based upon the undeniable evidence, small, lesser known issuers will be adversely impacted by the Proposed Amendments. We believe that simple, straightforward modifications to the Proposed Amendments would largely eliminate the unintended consequence of locking these issuers out of the market or increasing debt service. Each of these proposals presumes that issuer consent and official statement disclosure remain as a pre-condition as currently exist in the Rule.

A. The Electronic Bid

As stated earlier, the electronic bidding process is used in virtually every competitive bid. These systems are completely transparent, highly efficient and, from our perspective, tamper-proof. We support any rule proposal that permits a financial advisor to bid, with consent of the issuer, upon the express requirement that an industry recognized electronic bidding system is utilized.

B. The Small or Infrequent Issuer

SIFMA cited statistics in its comment letter to the SEC that are startling. Over a 10-year timeframe, issues of between \$1 million and \$10 million received only one bid in 2,637 transactions and only two or three bids in 13,024 transactions. While RBCCM does not have access to the number of times that the financial advisor was the only bid or the winning bid in these situations, our chart attached as Exhibit A does demonstrate the actual harm that would befall issuers under the Proposed Amendments. We support any rule proposal which gives relief to small or infrequent issuers and allows a financial advisor to bid when an electronic bidding platform is utilized.

C. The Non-Rated Issuer

During normal markets, the non-rated competitive issuer (who typically must issue competitively as required by state law) will generally struggle to generate bidding interest. Under difficult market conditions (as evidenced by the 2008 credit crisis) access is greatly impaired. The Proposed Amendments create an additional artificial barrier to enter the market during normal times and perhaps a complete barrier during difficult markets. Non-rated issuers depend on bidders that are willing to do their homework in order to bid. The financial advisor has historically, with the consent of the issuer and disclosure via the official statement, been willing to do the homework and submit a bid. We support any rule proposal which permits a financial advisor to bid on a non-rated issue and allows a financial advisor to bid when an electronic bidding platform is utilized.


A Closing Thought on the Proposed Amendments

The law of fiduciary duty does not mandate that financial advisors be banned from bidding competitively. The law dictates that the issuer makes an informed choice and that disclosure of the role and potential conflicts be made known. Most, if not all of this, is currently provided for in the existing Rule. Separately, RBCCM is actively participating in literally dozens of regulatory initiatives. Perhaps most noteworthy is the adoption of a uniform fiduciary duty for retail brokerage. In the spirit of consistency, it is very difficult if not impossible to justify prohibiting a financial advisor to an issuer from being a competitive bidder on bonds, but permitting a dealer to make markets in securities and offering those securities to retail investors via a broker with a fiduciary duty. Under both situations, it is our responsibility to perform with the consent of our client and disclosure of our role and conflicts. It is also our responsibility to deal fairly. Both of these provisions will remain operative with our suggested modifications to the Proposed Amendments.

Rest assured, bidding via a competitive process is not the business model that we build our financial advisory practice around; to the contrary, bidding competitively is something we do to support our financial advisory clients despite the inherent risks of buying the bonds. We are commenting on the Proposed Amendments, not because of the business opportunity that competitive bidding presents, but because the Proposed Amendments, as currently drafted, eliminates the choice and access to the market that is appropriate and precludes state and local issuers of debt via the competitive process the best opportunity to access the market and obtain the lowest borrowing costs.

We hope that these comments are useful to your considerations. We would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would help facilitate your review of the proposed amendments. If you have any questions, please do not hesitate to contact the undersigned at (212) 428-5488.

Sincerely,

A handwritten signature in blue ink, appearing to read "Chris Hamel", with a stylized flourish at the end.

Christopher Hamel
Head, Municipal Finance
RBC Capital Markets, LLC

Sale Date	Issuer	Par Amount	Final Maturity	Financial Advisor	NIC	Underwriter	Net Interest Cost1	Cover Bid	Cover Bidder	Net Interest Cost2	High Bid	High Bidder	Net Interest Cost3	# of Bids	Potential Cost to Issuer	Potential Cost to Issuer (% of Par)
12/1/2010	Montgomery County MUD 113	\$3,700,000	2035	RBCCM	5.8783%	RBCCM	\$ 3,528,183	6.2652%	GMS	\$ 3,760,384	N/A	N/A	N/A	2	\$ 232,202	6.28%
6/30/2010	Galveston County MUD 32	\$2,360,000	2034	RBCCM	5.3177%	RBCCM	\$ 1,964,037	5.9254%	GMS	\$ 2,188,458	N/A	N/A	N/A	2	\$ 224,421	9.51%
2/14/2011	Montgomery County MUD 113	\$3,590,000	2035	RBCCM	5.7268%	RBCCM	\$ 3,303,791	6.0296%	FSC	\$ 3,478,493	6.0885%	GMS	\$ 3,512,461	3	\$ 174,702	4.87%
5/18/2009	Fort Bend County LID 19	\$4,260,000	2033	RBCCM	5.9771%	RBCCM	\$ 4,008,869	6.1677%	FSC	\$ 4,136,653	6.1992%	GMS	\$ 4,157,806	3	\$ 127,785	3.00%
7/14/2009	Sienna Plantation MUD 12	\$3,150,000	2032	RBCCM	6.1435%	RBCCM	\$ 2,938,570	6.3736%	GMS	\$ 3,048,651	6.4016%	FSC	\$ 3,062,032	3	\$ 110,080	3.49%
1/26/2011	Kaufman County MUD 2	\$4,000,000	2035	RBCCM	6.3257%	RBCCM	\$ 3,937,379	6.3746%	GMS	\$ 3,967,756	N/A	N/A	N/A	2	\$ 30,378	0.76%
7/15/2009	Harris County MUD 233	\$1,280,000	2030	RBCCM	6.2670%	RBCCM	\$ 1,306,465	6.3908%	FSC	\$ 1,332,262	6.5236%	GMS	\$ 1,359,946	3	\$ 25,797	2.02%
8/5/2010	Sienna Plantation Management District	\$3,150,000	2035	RBCCM	5.0445%	RBCCM	\$ 2,468,180	5.0858%	GMS	\$ 2,488,358	N/A	N/A	N/A	2	\$ 20,177	0.64%
10/21/2010	West Ranch Management District	\$6,740,000	2040	RBCCM	5.1802%	RBCCM	\$ 6,788,540	5.1868%	GMS	\$ 6,797,147	N/A	N/A	N/A	2	\$ 8,606	0.13%
11/22/2010	Sienna Plantation Management District	\$4,155,000	2035	RBCCM	5.9592%	RBCCM	\$ 3,895,662	N/A	N/A	N/A	N/A	N/A	N/A	1	\$ -	-
12/1/2010	Harris County MUD 500	\$7,075,000	2037	RBCCM	6.5018%	RBCCM	\$ 8,065,680	N/A	N/A	N/A	N/A	N/A	N/A	1	\$ -	-
3/5/2009	Kaufman County MUD 11	\$3,300,000	2031	RBCCM	6.7710%	GMS	\$ 3,237,895	6.8020%	RBCCM	\$ 3,252,720	N/A	N/A	N/A	2	\$ -	0.00%
3/12/2009	Kaufman County MUD 14	\$2,445,000	2030	RBCCM	6.8762%	GMS	\$ 2,313,481	6.9782%	RBCCM	\$ 2,347,815	N/A	N/A	N/A	2	\$ -	0.00%
12/1/2009	Galveston County MUD 44	\$3,870,000	2039	RBCCM	6.1926%	GMS	\$ 4,779,656	6.3571%	RBCCM	\$ 4,906,591	N/A	N/A	N/A	2	\$ -	0.00%
5/19/2010	Harris County MUD 468	\$4,625,000	2032	RBCCM	4.9403%	FSC	\$ 3,187,019	5.0815%	RBCCM	\$ 3,278,148	5.2948%	GMS	\$ 3,415,771	3	\$ -	0.00%
6/30/2010	Fort Bend County MUD 185	\$3,900,000	2034	RBCCM	5.0947%	FSC	\$ 3,094,552	5.1923%	RBCCM	\$ 3,153,783	5.1996%	GMS	\$ 3,158,261	3	\$ -	0.00%
8/10/2010	Fort Bend County MUD 134C	\$5,300,000	2034	RBCCM	4.9572%	FSC	\$ 4,020,570	4.9622%	GMS	\$ 4,024,630	4.9572%	RBCCM	\$ 4,033,378	3	\$ -	0.00%
10/21/2010	West Ranch Management District	\$1,815,000	2040	RBCCM	5.0345%	FSC	\$ 1,776,305	5.1802%	RBCCM	\$ 1,827,705	5.1866%	GMS	\$ 1,829,958	3	\$ -	0.00%
1/11/2011	Harris County MUD 287	\$2,400,000	2035	RBCCM	5.6999%	FSC	\$ 2,141,463	5.7873%	RBCCM	\$ 2,174,277	5.9227%	GMS	\$ 2,225,151	3	\$ -	0.00%
2/10/2011	Fort Bend County MUD 5	\$1,050,000	2034	RBCCM	5.9078%	FSC	\$ 950,565	6.1843%	GMS	\$ 995,049	6.4878%	RBCCM	\$ 1,043,891	3	\$ -	0.00%

All bonds listed here are non-rated and uninsured.

RBCCM = RBC Capital Markets

GMS = GMS Group LLC

FSC = First Southwest Company

	Without RBCCM's bid, the issuer would have been adversely impacted.
	Without RBCCM's bid, deal would not have been sold. Therefore the potential cost is incalculable.
	Without RBCCM's bid, deal would not have necessarily been adversely impacted, but would have left the issuer with only one or two bids.