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April 18, 2012

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

RE: File No. SR-MSRB-2012-04

Dear Ms. Murphy:

Hartfield, Titus & Donnelly ("HTD") appreciates the opportunity to comment on the Municipal Securities Rulemaking Board's ("the Board") Filing of Proposed Rule G-43, on Broker's Brokers; Proposed Amendments to Rule G-8, on Books and Records, Rule G-9, on Record Retention, and Rule G-18, on Execution of Transactions.

HTD is a Municipal Securities Broker's Broker ("MSBB"), acting as riskless principal in the purchase and/or sale of municipal securities for registered brokers/dealers, Municipal Securities Dealers and Sophisticated Municipal Market Professionals (SMMP). Acting in this capacity, we do not: position securities; participate in syndicates; hold customer funds; or safekeep customer securities. As riskless principal, we act in the limited capacity of providing anonymity, communication and order matching. We do not exercise discretion as to how or when a transaction is executed. We are only compensated by a commission.

Our comments specifically address section G-43(c)(i)(E) of the proposed Rule with regards to Customers. We broker with Customers and all of our Customer transactions are with SMMPs. Because of their "sophistication" and knowledge of the market, the Board considers them in a category similar to a broker/dealer; we do also.

Rule G-43 (c)(i)(E) - (***Disclosing if a Customer is a Counterparty***) – The Board requires two types of disclosure for broker's brokers (MSBBs) brokering with Customers. The first is a general disclosure that if an MSBB transacts with Customers, they make that fact known to both sellers and bidders in writing. The second is that, on a transaction-by-transaction basis, if a Customer is a buyer or high bid on an item it must be disclosed to the seller.

HTD supports the Board's general disclosure requirement. We provide to our counterparties a statement of who we are and disclose to them that the counterparties to our trades are dealers and SMMPs. Thus, we disclose to sellers and bidders that we have Customers, albeit SMMPs. We feel disclosure of this fact is acceptable, reasonable and sufficient.

In addition to the general disclosure discussed above, The Board requires that a disclosure be made to the seller each time a Customer is the buyer or high bid on an item. We are at a loss in understanding the benefit provided to the secondary market by this type of disclosure. This disclosure implies there is some reason a dealer would not want a Customer/SMMP on the other side of our trade and could use this as a reason not to sell. However, dealers buy from and sell to Customers and SMMPs all the time. Why would they care if a Customer was on the other side of their trade with us?

RISK CONCERNS

If the concern is that the Customer/SMMP might renege on the trade (because it is not required to follow The Board's Rules), this is of no more concern than if a dealer reneges. Yes, a dealer must follow the Rules; however, they may interpret the Rules in such a way that may justify their stepping away from a trade. It has happened many times among dealers.

If the concern is credit risk, by definition and obligation, an MSBB stays in a trade between a buyer and seller to protect both sides of a trade, not only their anonymity, but their credit exposure as well. Neither side has to worry about the capitalization of the other. Once a dealer has reviewed the MSBB's financials and determined to broker with that MSBB, trading is no longer a credit issue. We act as riskless principal in all our transactions, and as principal our credit does not fluctuate based on our counterparties nor does "counterparty risk" change based upon who we broker with. The only credit exposure our counterparties face is us, not the other counterparty to our trade.

When dealing with Customers/SMMPs, we are required to follow the same Net Capital Rule as all dealers, and we follow the same formula they do in determining our Minimum Net Capital. Additionally, we have the same requirements as dealers for the DTCC Clearing Fund Deposits for clearance and settlement purposes. DTCC makes no distinction between our dealing with a Customer/SMMP or another dealer. They require no additional Clearing Fund Deposit whether we broker with a Customer/SMMP or a dealer. In addition, the current high percentage of netting of municipal transactions significantly reduces counterparty risk, because DTCC guaranties the transactions.

ANONYMITY

We provide anonymity in our brokering services and that is a very important function in that service. Part of the anonymity is the full protection of the identity of the counterparties. Just as a dealer would not want us to disclose any information on their identity, the same should apply to Customers/SMMPs. As a matter of fact, the Customers may be using an MSBB just for that purpose, not wanting dealers to know their activities. This requirement for disclosure may even be an impediment to their participation in the secondary market. They would use our services just as a dealer would, to protect their investment or trading strategies.

Dealers know and currently interact with all SMMPs. They know who they are and generally what they own and are interested in purchasing. By disclosing to a dealer that an SMMP is buying securities and what securities they are buying, dealers have the ability to research the SMMP's holdings and maybe even identify the SMMP. Just as the dealer desires to protect its trading strategies, so do Customers/SMMPs.

NO RATIONAL FOR DISCLOSURE

The Board requires that if MSBBs have Customers/SMMPs as a high bidder, they must disclose this fact to the seller. The Board provides no explanation on the rational for this disclosure other than past practice. There is no market or transparency justification, just that it is not "traditional". (As stated earlier in this letter, we agree with the general counterparty disclosure as part of our overall disclosure of business policies. This should be sufficient for addressing "non traditional" brokering.)

Further there is no history of enforcement from either the SEC or FINRA that would suggest the need for this disclose by an MSBB. There is an abundance of enforcement actions in other sections of the Market showing abuses attributable to Customer relationships, yet there is no similar disclosure requirement for those other segments. Inter-dealer Brokers in other fixed income products broker with Customers regularly and have no similar disclosure requirement --- and they are known as Inter-Dealer Brokers.

This disclosure only creates an impression of inequality with no attendant Market benefit. It may even be a determent to the Customers/SMMPs, not because it fundamentally matters in brokering but only because the Board, by requiring this disclosure, leaves the impression that there is something to be concerned about with such buyers.

Also, the Board leaves an impression that MSBBs selling to Customers/SMMPs have conflicts of interest similar to those of a department of a dealer acting as an MSBB selling bonds to an affiliate of the dealer. Clearly a dealer selling bonds to another department could have conflicts of interest, and maybe serious conflicts of interest. However, since there is no corporate relationship between an MSBB and their Customer/SMMP counterparty, there is no conflict of interest. In addition, the Board has failed to identify how the conflict faced by any other dealer that has a wide variety of client types is different from that of an MSBB with Customers/SMMPs.

SUMMARY

We suggest that an MSBB generally disclosing, in writing, that they broker with Customers/SMMPs would be sufficient disclosure under Rule G-43 and provide sufficient notice of the "non traditional" counterparty to their trades. This general statement would help us in keeping anonymity in our brokering services while informing our clients that we broker with Customers/SMMPs.

In addition, we request that the Board eliminated from the Rule, its requirement for disclosure on a transaction-by-transaction basis if a Customer/SMMP is the high bidder in a trade. There has been no clear identification of the negative market impacts or identification of conflicts of interest created by such brokering with Customers/SMMPs to justify this requirement. There is, however, a potential conflict created for the Customer/SMMP with this disclosure.

We would like once again to thank the Securities and Exchange Commission for this opportunity to share our views on MSRB's proposed Rule G-43.

Very truly yours,

Mark J. Epstein
President & CEO