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September 28, 2012

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

Re: Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of Proposed Amendments to the Real-Time Transaction Reporting System Information System and Subscription Service (File No.-MSRB-2012-07)

Dear Ms. Murphy:

The Investment Company Institute<sup>1</sup> supports the Municipal Securities Rulemaking Board's ("MSRB") continuing efforts to increase transparency in the municipal securities market. The MSRB's current proposal,<sup>2</sup> which would enhance the transaction data publicly disseminated from the Real-Time Transaction Reporting System ("RTRS") in real-time, is another step towards ensuring the accessibility and dissemination of important information to investors.

MSRB Rule G-14 currently requires brokers, dealers, and municipal securities dealers ("dealers") to report all transactions in municipal securities to RTRS within fifteen minutes of the trade. The transaction information disseminated from RTRS (via either subscription services or through the Electronic Municipal Market Access (EMMA\*) website) includes the exact par value on all transactions with a par value of \$1 million or less but includes an indicator of "1MM+" in place of the exact par value on transactions where the par value is greater than \$1 million. The MSRB has indicated that they implemented this approach to help preserve the anonymity of trading parties while not detracting in a substantial way from the benefits of price transparency.

To ensure that as many market participants as possible have access to the same amount of information at the same time about each transaction disseminated from RTRS, the proposed rule change would enhance the transaction data publicly disseminated from RTRS in real-time by including

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<sup>1</sup> The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of \$13.3 trillion and serve over 90 million shareholders.

<sup>2</sup> SEC Release No. 34-67792 (September 6, 2012).

the exact par value on all transactions with a par value of \$5 million or less. While the MSRB considered displaying the exact par value of any transaction regardless of the par value, commenters, including ICI, raised concerns that increased transparency could diminish market liquidity.<sup>3</sup>

We explained that because secondary market liquidity for investors in the municipal securities market is provided by dealers that are willing to risk their capital pending the location of customers who are willing to purchase a block of bonds, revealing the exact par value of large trades on a real-time basis (especially for certain infrequently traded issues) would allow other dealers to identify the dealer, including information about a dealer's inventory and investors involved in the trade. This information could then be used to trade against the dealer's position and reduce the incentive for a dealer to take large positions in these circumstances. This in turn could have unintended consequences for all market participants (retail and institutional) because an impairment of liquidity (*e.g.*, caused by the unwillingness of dealers to continue their active role in the municipal securities market) could outweigh the benefits of any increased price transparency.

Given these concerns, we cautioned the MSRB to carefully balance their goal of ensuring the fairest and most accurate pricing of municipal securities transactions with the need to maintain adequate liquidity in the municipal securities market. To accomplish this, we recommended an alternative approach that we believed would minimize the potential effect of increased price transparency of large trade size transactions on market liquidity. In particular, we recommended increasing the par value of trades subject to delayed disseminations (*e.g.*, \$5 million or more). We explained that this approach would help protect the identities of dealers who take large positions in these securities (and therefore help preserve dealers' willingness to provide liquidity), while at the same time enhancing the price transparency of the municipal securities market. It also would give the MSRB time to evaluate any effects on market liquidity and then make any necessary adjustments as appropriate. We therefore are supportive of the MSRB's revised proposal, which is consistent with our recommendation.

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<sup>3</sup> See Letter from Dorothy Donohue, Deputy General Counsel—Securities Regulation, Investment Company Institute, to Ronald W. Smith, Secretary, Municipal Securities Rulemaking Board (June 29, 2012), available at <http://www.ici.org/pdf/26286.pdf>.

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We look forward to working with the SEC as it continues to examine this and other important issues. In the meantime, if you have any questions, please feel free to contact me directly at (202) 218-3563 or Jane Heinrichs, Senior Associate Counsel, at (202) 371-5410.

Sincerely,

/s/ Dorothy Donohue

Dorothy Donohue  
Deputy General Counsel—Securities Regulation

cc: Lynette Kelly, Executive Director  
Municipal Securities Rulemaking Board