



1401 H Street, NW, Washington, DC 20005-2148, USA
202/326-5800 www.ici.org

July 19, 2013

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

Re: Self-Regulatory Organizations; MSRB; Notice of Filing of a Proposed Rule Change to Amend MSRB Rules G-8, G-11 and G-32 to Include Provisions Specifically Tailored for Retail Order Periods (File No. SR-MSRB-2013-05)

Dear Ms. Murphy:

The Investment Company Institute¹ appreciates another opportunity to provide comments on the Municipal Securities Rulemaking Board's proposed amendments that would govern the responsibilities of dealers in the conduct of retail order periods.² We continue to support the MSRB's efforts to address concerns regarding retail customer orders in primary offerings; however, we are disappointed that the MSRB through these proposed amendments has declined to define the term "retail" for these purposes.

The Release notes that commenters to the MSRB have recommended that it establish a definition of "retail" that would be used if an issuer determined to conduct a retail order period. The MSRB has repeatedly declined to make this change, however, in part noting that it is concerned that if the MSRB defined "retail" it may unduly influence certain issuers regarding the scope of eligible customers for a retail order period. Instead, the MSRB states its belief that an issuer should designate the eligibility criteria for their retail order period on an issue-by-issue basis.

¹ 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 \$15.3 trillion and serve over 90 million shareholders.

² See SEC Release No. 34-69834 (June 24, 2013) ("Release"). See also Letter from Dorothy Donohue, Deputy General Counsel—Securities Regulation, Investment Company Institute, to Ronald W. Smith, Corporate Secretary, Municipal Securities Rulemaking Board (November 2, 2012) and Letter from Dorothy Donohue, Deputy General Counsel—Securities Regulation, Investment Company Institute, to Ronald W. Smith, Corporate Secretary, Municipal Securities Rulemaking Board (April 13, 2012).

Ms. Elizabeth M. Murphy

July 19, 2013

Page 2 of 2

Our members remain concerned, however, that the absence of a uniform definition of “retail” and the failure to include within that definition institutions trading on behalf of retail investors would result in a disservice to many retail investors who choose to gain access to the municipal markets through mutual funds or have limited resources to otherwise buy bonds directly.³ If investment vehicles, such as funds, are, with regularity, unable to acquire municipal bonds in primary offerings because the fund itself is viewed as an institutional buyer and its orders classified as “institutional” order flow, retail investors investing in those vehicles are unfairly disadvantaged. This is especially problematic in the case of single state funds because of the even more limited pool of municipal bonds available to in-state investors.

We therefore continue to urge the MSRB to apply a uniform definition of “retail” for purposes of “retail order periods” that recognizes that retail investors access the municipal market through a variety of ways, including indirectly through funds.

* * * *

We look forward to working with the SEC as it continues to examine these critical 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: Lynnette Kelly, Executive Director
Municipal Securities Rulemaking Board

³ Some members have suggested that issuers also are disadvantaged if the definition of “retail” excludes funds because their borrowing yields may not reflect the full universe of demand.