

VIA ELECTRONIC MAIL

April 17, 2015

Brent J. Fields
Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

Re: File No. SR-MSRB-2015-02, Notice of Filing of a Proposed Rule Change Consisting of Proposed Amendments to the MSRB Rule G-14 RTRS Procedures, and the Real-Time Transaction Reporting System and Subscription Service

Dear Mr. Fields:

On March 27, 2015, the Securities and Exchange Commission (SEC) published its request for public comment on proposed amendments to Rule G-14 of the Municipal Securities Rulemaking Board (MSRB) and the Real-Time Transaction Reporting System (RTRS) Procedures (Proposed Amendments).¹ The Proposed Amendments would make several enhancements to the information provided through RTRS. These enhancements include expanding the application of the List Offering Price and RTRS Transaction Takedown indicators, enabling the MSRB to calculate and disseminate yield on customer transactions, and establishing new indicators for customer trades involving non-transaction-based compensation arrangements and alternative trading system (ATS) transactions.

The Financial Services Institute² (FSI) appreciates the opportunity to comment on this important proposal. FSI members are committed to ensuring that both regulators and investors have access to additional information on municipal securities market structure and pricing. We support the Proposed Amendments and believe they represent incremental but important enhancements to the customer transaction reporting process. FSI also strongly believes that the MSRB should continue to leverage the capabilities of the Electronic Municipal Market Access (EMMA) website to provide pricing and educational information to investors.

Background on FSI Members

The independent financial services community has been an important and active part of the lives of American investors for more than 40 years. In the U.S., there are approximately 167,000 independent financial advisors, which account for approximately 64.5% percent of all

¹ 80 Fed. Reg. 16466 (Mar. 27, 2015).

² The Financial Services Institute (FSI) is an advocacy association comprised of members from the independent financial services industry, and is the only organization advocating solely on behalf of independent financial advisors and independent financial services firms. Since 2004, through advocacy, education and public awareness, FSI has been working to create a healthier regulatory environment for these members so they can provide affordable, objective financial advice to hard-working Main Street Americans.

producing registered representatives. These financial advisors are self-employed independent contractors, rather than employees of Independent Broker-Dealers (IBD).

FSI member firms provide business support to financial advisors in addition to supervising their business practices and arranging for the execution and clearing of customer transactions. Independent financial advisors are small-business owners who typically have strong ties to their communities and know their clients personally. These financial advisors provide comprehensive and affordable financial services that help millions of individuals, families, small businesses, associations, organizations and retirement plans with financial education, planning, implementation, and investment monitoring. Due to their unique business model, FSI member firms and their affiliated financial advisors are especially well positioned to provide middle-class Americans with the financial advice, products, and services necessary to achieve their investment goals.

Discussion

FSI appreciates the opportunity to comment on the MSRB's Proposed Amendments to Rule G-14 and the RTRS Procedures. FSI supports the MSRB's goal of increased transparency for the municipal securities market. We believe the MSRB should continue to invest in EMMA and use this platform to provide investors with vital educational materials concerning the operations of the municipal securities market. As such, we support the Proposed Amendments to Rule G-14 and the RTRS Reporting Procedures. Furthermore, we appreciate the MSRB's consideration of potential implementation costs in proposing incremental changes to customer transaction reporting. These views are discussed in greater detail below.

I. Utilizing EMMA to Provide Transparency and Education to Investors

A. MSRB Should Continue to Enhance EMMA's Price Transparency and Educational Capabilities

FSI continues to support MSRB initiatives to increase customer knowledge of the operations of the secondary municipal securities markets. FSI believes that it is important for customers to understand how prices for municipal securities are determined and how transactions are executed. It is not clear that investors currently appreciate the degree of opacity present in the municipal securities market. Educating investors on the roles that broker-dealers play in executing municipal securities transactions and the steps that must be undertaken to fairly and reasonably fill a customer order are as essential as pricing information.

EMMA represents an easily accessible, important market data tool. Currently, investors may view pricing information including last trade price, execution time, execution quantity, and the nature of the transaction on EMMA. FSI appreciates the MSRB's efforts in the Proposed Amendments to expand upon the significant amount of information currently provided through EMMA. We believe that these initiatives will contribute to the establishment of a more informed constituency of municipal securities investors.

FSI has previously stated its support for further enhancements to facilitate greater customer use of EMMA. We recommend that the MSRB consider exploring additional options that would help raise the profile of EMMA such that retail investors would consult EMMA data more

frequently. Hopefully, greater numbers of investors will eventually consult this data prior to executing a transaction, when the information is most helpful.

II. Specific Comments Supporting the Proposed Amendments

A. Expanding the Application of Existing List Offering Price and RTRS Takedown Indicators

Currently, dealers are required to include an indicator on trade reports for transactions executed on the first day of trading in a new issue with the price set under an offering agreement. These transactions receive either a List Offering Price or and RTRS Takedown Transaction indicator. The MSRB proposes to expand the application of these indicators to scenarios involving distribution participant dealers. Distribution participant dealers are not members of underwriting syndicates or selling groups, but do enter into agreements to execute transactions with customers at the published list offering prices.

FSI supports expanding the application of the List Offering Price and RTRS Takedown Transaction indicators to transactions involving distribution participant dealers. Distribution participants perform similar functions to selling group members, and as such their activities deserve similar reporting requirements. Furthermore, applying the indicators to these transactions will ensure regulators and investors have a more accurate view of municipal security pricing.

B. Eliminating the Requirement for Dealers to Report Yield on Customer Trade Reports

The Proposed Amendments would eliminate the requirement for dealers to include yield on customer trade reports submitted to RTRS. RTRS procedures currently require dealers to include yield on reports of customer transactions. Dealers are also required to display yield on customer confirmations pursuant to Rule G-15(a). As of April 30, 2012, the MSRB calculates and disseminates yield through RTRS for inter-dealer transactions.

FSI supports eliminating the requirement for dealers to report yield on customer trade reports. The amendments bring RTRS procedures in line with TRACE reporting procedures. The Proposed Amendments would alleviate one aspect of a dealer's burden to calculate and disseminate yield for customer transactions. The Proposed Amendments would also ensure that the calculation and dissemination of yield through RTRS will be consistent for both customer and inter-dealer trades. FSI also supports the MSRB's commitment to displaying on EMMA the method used by MSRB to calculate yield. Our members encourage MSRB to ensure that such explanations are easily understandable by investors.

C. Establishing a New Indicator for Customer Trades Involving Non-Transaction-Based Compensation Arrangements

The Proposed Amendments require dealers to include a new indicator on their reports, to be disseminated publicly, for transactions effected as part of an arrangement that does not provide for transaction-based compensation. This new indicator will distinguish prices that include a dealer compensation component from prices that do not.

FSI member firms support the creation of the new indicator. While there will be costs to implement this indicator, we believe that it effectively promotes price transparency for investors. This additional information will enhance the usefulness of the pricing information provided to

investors on EMMA. FSI member firms appreciate MSRB's effort to continue to invest in EMMA and look forward to additional price transparency enhancements that may benefit investors.

D. Establishing a New Indicator for ATS Transactions

The Proposed Amendments would also create a new indicator for transactions executed through an Alternative Trading System (ATS). MSRB states that the new indicator will better inform market participants and regulators on the extent to which ATSs are used in the municipal market. The MSRB believes this will yield higher quality analysis of municipal market structure.

FSI members support the creation of an ATS indicator. While adding this field will result in implementation costs, we believe the Proposed Amendment represents a balanced approach that will limit the burden on dealers while providing the MSRB with additional insight into municipal market structure. FSI members appreciate the MSRB's decision to limit the burden on firms by choosing not to require identification of the ATS employed in the transaction.

Conclusion

We are committed to constructive engagement in the regulatory process and welcome the opportunity to work with the MSRB on this and other important regulatory efforts

Thank you for considering FSI's comments. Should you have any questions, please contact me at [REDACTED].

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. T. Bellaire". The signature is fluid and cursive, with a large initial "D" and "T" and a stylized "Bellaire".

David T. Bellaire, Esq.
Executive Vice President & General Counsel