



June 22, 2016

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NW
Washington, DC 20549

Re: SR-MSRB-2016-07: Proposed Rule Change Consisting of Proposed Amendments to MSRB Rule G-12, on Uniform Practice, Regarding Close-Out Procedures for Municipal Securities

Dear Mr. Fields:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates this opportunity to respond to the Municipal Securities Rulemaking Board’s (the “MSRB’s”) proposed rule change to MSRB Rule G-12 on close-out procedures (“MSRB Close-Out Procedures”), as filed with the Securities and Exchange Commission (the “SEC”).² As stated in our letter to the MSRB,³ SIFMA wholeheartedly supports rulemaking and procedures that reduce risk and costs to brokers, dealers or municipal securities dealers (“broker dealers”) while giving investors greater certainty. The current MSRB Close-Out Procedures are essentially voluntary, and require broker dealers to wait before acting to resolve problem trades. The Filing mandates new timeframes for faster resolution of open transactions and requires their use. The proposed amendments are helpful, but to

¹ The Securities Industry and Financial Markets Association (SIFMA) brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit www.sifma.org.

² 81 Fed. Reg. 35111 (June 1, 2016) (the “Filing”).

³ See letter from Leslie M. Norwood, Managing Director and Associate General Counsel, SIFMA, to Ronald W. Smith, Corporate Secretary, MSRB, dated March 6, 2016 (regarding MSRB Notice 2016-02 (Jan. 6, 2016) (the “Original Notice”)) (the “Prior Letter”).

support the goals of the amendments, SIFMA continues to believe that the new timeframes should be even shorter than those proposed by the MSRB.

I. Industry Members Believe More Stringent Rule Would Be Beneficial

Again, almost universally, failed transactions don't get better with age, and it is easier to have conversations about close-outs for failed transactions sooner rather than later. To that end, SIFMA members agree to be held to a stricter standard than the MSRB's proposal. The MSRB's Original Notice proposed a 30-day mandatory close-out period. We urged the MSRB, in our Prior Letter, to shorten the proposed mandatory close-out deadline in the amendments. SIFMA, in consultation with its members both large and small, suggested to the MSRB that failed transactions should be closed out no later than 15 calendar days after settlement, with a 15-day extension only upon the affirmative consent of the buyer. This exception would be helpful and used only if the broker dealer failing to deliver is on the cusp of resolving the fail, but needs a short amount of additional time to deliver or close-out the position. In the Filing, the MSRB did shorten their proposed mandatory close-out deadline to 20 calendar days after settlement. SIFMA's members believe that the mandatory close-out period is still not stringent enough. Upon further consideration by our members, SIFMA is now proposing that the mandatory close-out deadline should be no later than 10 calendar days after settlement, with an exception that, only with the affirmative consent of the buyer, would permit the broker dealer failing to deliver at most another 10 days, for an aggregate total of 20 days. The MSRB stated in the Filing that it was concerned about shortening the mandatory close-out period shorter than 20 days due to putative burdens on smaller broker dealers. After extensive discussions with the broad range of our broker dealer members, we feel the MSRB's concerns are not warranted.

II. Self-Directed Customer Accounts

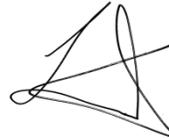
For self-directed customer accounts, our Prior Letter stated that it would be extremely helpful to have guidance that in the instance where the customer won't cancel the trade by giving the position in the bonds back to the seller, then the broker dealer should have the authority to close-out the position by returning the position to the seller. Again, it is important to note that in self-directed customer accounts, broker dealers are not allowed to use discretion; without discretion or a regulatory mandate, broker dealers do not have the authority to buy or sell positions without the express consent of the customer. SIFMA understands that the MSRB has no authority over customers, but the MSRB does have the ability to mandate broker dealers to act and the ability to provide regulatory relief.

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III. Conclusion

Again, SIFMA and its members support the MSRB's proposed amendments to the MSRB's Close-Out Procedures. We believe these proposed amendments will improve investor confidence and the safety and soundness of the U.S. markets. SIFMA, however, doesn't believe the amendments go far enough to resolve aged municipal fails. SIFMA urges the MSRB to shorten the proposed mandatory close-out deadline in the amendments for new failed transactions to no later than 10 calendar days after settlement, with an exception that would permit the broker dealer failing to deliver at most another 10 days, with consent of the buyer, for an aggregate total of 20 days. We would be pleased to discuss any of these comments in greater detail, or to provide any other assistance that would be helpful. If you have any questions, please do not hesitate to contact the undersigned at [REDACTED]

Sincerely yours,



Leslie M. Norwood
Managing Director and
Associate General Counsel

cc: ***Municipal Securities Rulemaking Board***
Lynnette Kelly, Executive Director
Robert Fippinger, Chief Legal Officer
Michael B. Cowart, Assistant General Counsel
Barbara Vouté, Municipal Operations Advisor