

August 9, 2016

Submitted Electronically

Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: Notice of Filing of a Proposed Rule Change to Establish the MSRB Academic Historical Transaction Data Product (SR-MSRB-2016-09)

Dear Mr. Fields:

On behalf of the Bond Dealers of America (“BDA”), I am pleased to submit these comments in response to (SR-MSRB-2016-09), a proposal to create a new academic data set that would provide vast amounts of detailed dealer-transaction information to institutions of higher education. BDA remains opposed to this proposal because it will expose dealers and dealer customers to unnecessary risks. It is simply inappropriate to disseminate the dealer-specific transaction information that dealers are required to report to RTRS to institutions of higher education. Regulatory agencies should continue to hold and analyze this data internally for enforcement and examination purposes. However, BDA does not think that it is broadly in the public interest to increase dealer business risks in order to provide this information to a non-governmental institution.

BDA appreciates that the MSRB has made modest amendments to the proposal in order to reduce the risk that the information that is provided to an institution of higher education could be used to reverse engineer a dealer’s identity and business strategy. Additionally, BDA appreciates that the MSRB has excluded from the scope of the proposal transactions that are List or Fixed Offering Price Transactions. However, BDA remains extremely concerned with the risks associated with this proposal and urges MSRB to make significant amendments if it desires an enhanced data product for academic research. The risk of reverse engineering a dealer identity is particularly acute in the municipal securities market where the securities of regional issuers, especially smaller issuers, are typically traded amongst a small subset of regional dealers. This

makes the risk of reengineering greater in comparison to the market for corporate securities.

BDA opposes the proposal because it does not adequately protect the identities of municipal securities dealers.

BDA appreciates the fact that MSRB amended the proposal to make it more difficult for dealer identities to be reverse engineered. Aging the transaction data by 36 months and having a different dealer identifier for each data request would make reverse engineering a more difficult task. However, dealers would still be exposed to unnecessary business risks.

In fact, because of the interconnected nature of our markets, it would only take one large dealer working in collaboration with a researcher at an institution of higher education to completely identify the dealer names that match MSRB's "dealer identifier" and then have full visibility and transparency into the business strategy and transactions of every dealer. This is an unacceptable risk for middle-market dealers that strive each day to compete with dealers of all sizes to accept. While it is clearly not MSRB's intent in considering this data-set proposal to subject dealers to the risk of identity and strategy re-engineering, it is, unfortunately, a certain risk if MSRB makes this data set available. It is very likely that, as a consequence of this proposal, private and non-educational entities will end up possessing full trade history including dealer names for every trade released.

Furthermore, the proposal also raises very obvious data security issues. Financial institutions, governmental institutions, and institutions of higher education have all been the victims of hacking and data theft. If MSRB believes that it is in the public interest to allow institutions of higher education to access granular, dealer-specific transaction data then BDA believes it has a responsibility to ensure that this information is protected both during transmission and when it is held at the institution of higher education. This is something MSRB has not been able to promise because it is impossible. The reality is that dealer-specific transaction data is valuable and sophisticated and nefarious actors have routinely exposed the shortcomings of data security systems of the most sophisticated institutions in the world, including the U.S. government.

An additional concern of BDA members is that many institutions of higher education are public institutions that are subject to various State and Federal Freedom of Information Act (FOIA) requests. This means that documents and emails of these public institutions are subject to FOIA requests. The proposed rule's user agreement is designed to ensure that, among other things, the recipient of the transaction data does not distribute the data and does not present the data to the public in a way that would allow reverse engineering to take place. However, state and Federal FOIA laws could render the user agreement useless if the transaction data held by a public university is classified as a

public record in a given state. BDA requests that regulators assess the risk to dealers related to FOIA laws before potentially moving forward with this rulemaking.

In conclusion, BDA reiterates its request for MSRB to pursue a proposal that groups dealers by size, as opposed to individually. Grouping dealers would dramatically reduce the risks posed to dealers by this proposal and also provide institutions of higher education with an enhanced data product relative to current MSRB data offerings. BDA believes that a group-based proposal could strike the appropriate balance between dealer protection and supporting academic research.

Thank you for the opportunity to provide these comments.

Sincerely,

A handwritten signature in blue ink that reads "Nicholas".

Mike Nicholas
Chief Executive Officer