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July 20, 2004

Mr. Jonathan G. Katz  
Secretary  
Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, DC 20549-0609

RE: File Number SR-MSRB-2004-02; Relating to Proposed Amendments to the Municipal Securities Rulemaking Board's Rule G-12(f) and Rule G-14, Relating to the Implementation of a Facility for Real-Time Transaction Reporting and Price Dissemination as outlined in MSRB 2004-13

Dear Mr. Katz:

The Bond Market Association<sup>1</sup> ("Association") previously submitted two comment letters<sup>2</sup> to the Municipal Securities Rulemaking Board ("MSRB") outlining our concerns regarding real time trade reporting and the related changes to Rules G-12 and G-14, as described in MSRB Notice 2003-23 (the "Notice"), and appreciates the opportunity to respond to the Securities and Exchange Commission's Release No. 34-49902<sup>3</sup> (the "Release") on this subject. The Notice and related Release set out the MSRB's proposal for implementing a system to capture municipal securities trade information on a real-time basis by mid-2004 and also to immediately disseminate the transaction data that is reported.

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<sup>1</sup> The Association represents securities firms and banks that underwrite, trade and sell debt securities, both domestically and internationally. The Association's Member firms collectively represent in excess of 95% of the initial distribution and secondary market trading of municipal bonds, corporate bonds, mortgage and other asset-backed securities and other fixed income securities. More information about the Association is available on its website [www.bondmarkets.com](http://www.bondmarkets.com).

<sup>2</sup> The Association's comment letters are dated September 11, 2003 and September 12, 2003, and can be found at [http://bondmarkets.com/regulatory/comment\\_letter\\_on\\_rttm.pdf](http://bondmarkets.com/regulatory/comment_letter_on_rttm.pdf) (the "September 11, 2003 Comment Letter") and [http://bondmarkets.com/regulatory/comment\\_letter\\_on\\_price\\_transparency.pdf](http://bondmarkets.com/regulatory/comment_letter_on_price_transparency.pdf) (the "September 12, 2003 Comment Letter"), respectively.

<sup>3</sup> 69 Fed. Reg. 38,925 (June 29, 2004).

The Association reiterates its belief that questions regarding the implementation of the Real-time Trade Reporting System (“RTRS”) and questions surrounding price dissemination for all reported trades should remain separate,<sup>4</sup> as distinct sets of policy and practical questions are best dealt with in an independent fashion. With respect to trade reporting, the Association acknowledges the MSRB’s adoption of several suggested provisions, including the amendment which makes allowance for a dealer to report trades within three hours of the trade, if the CUSIP number and indicative data of the issue traded are not in the dealer’s securities master file.<sup>5</sup> Similarly, the Association appreciates the MSRB’s amendment to the Transaction Reporting Procedures which states that syndicate trades in new issues at the list offering price would not be required to be reported until the end of the first day trades are executed in the issue.<sup>6</sup> Both developments represent a significant move toward resolving operational difficulties in implementing RTRS. The Association, however, would like to restate its suggestion that all trades on the first day of a new issue be exempted from 15 minute reporting.

With respect to dissemination of trade information, the Association would like to repeat its support of immediate price dissemination for municipal market transactions except for a narrow set of bonds and transactions where liquidity would likely be adversely affected by such immediate dissemination. The Association has consistently been supportive of the steps the MSRB has taken to extend transparency in the municipal market.<sup>7</sup> The Association would like to take this opportunity to stress its commitment to transparency in the municipal market for those trades which we believe do not raise concerns about a negative effect on liquidity but renew our request that further study be made on the narrow set of transactions where liquidity would likely be adversely affected by immediate dissemination.

#### *New Issue Reporting*

The Association commends the MSRB’s recent amendment to the Transaction Reporting Procedures,<sup>8</sup> which adjusts the current mandate requiring dealers to report trades to the

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<sup>4</sup> Previously outlined in September 11, 2003 Comment Letter and the September 12, 2003 Comment Letter.

<sup>5</sup> See MSRB Notice 2004-13, June 1, 2004.

<sup>6</sup> See MSRB Notice 2004-13, June 1, 2004.

<sup>7</sup> See, e.g., Letter from Frank Chin, Chair, Association’s Municipal Executive Committee, to Mr. Jonathan G. Katz, Secretary, SEC dated August 8, 2002, commenting on File No. SR-MSRB-2002-07; Letter from John Ramsay, Association SVP and Regulatory Counsel, to Mr. Jonathan G. Katz, Secretary, SEC, dated May 9, 2003, commenting on File No. SR-MSRB-2003-2; and September 12, 2003 Comment Letter.

<sup>8</sup> See MSRB Notice 2004-13, June 1, 2004.

MSRB within 15 minutes, to allow syndicate managers and syndicate members effecting trades in new issues at the list offering price to report such trades by the end of the first day of trading of the new issue. This clearly acknowledges the operational difficulties that are present in reporting syndicate trades. However, the Association contends that this allowance should be granted for all dealers and brokers involved in trading the new security, including non-syndicate trades and syndicate trades made outside of list price. The Association reiterates its recommendation that all trades executed on the first day of a new issue be exempt from 15 minute reporting, and, be submitted no later than end of day. This recommendation is based on the general inability to access accurate information in an automated fashion within the fifteen minute timeframe.<sup>9</sup> Also, there is no uniform information dissemination mechanism by which to quickly and reliably notify non-syndicate members of new issue information such as CUSIP numbers and the “time of formal award.”<sup>10</sup> This void poses numerous operational and compliance concerns. A blanket “end of day” reporting requirement would alleviate these concerns, and would not negatively affect any price discovery mechanism. By exempting all new issue trades, dealers will have sufficient time for the information to become available through vendor systems, thereby facilitating integrated processing rather than creating the need for exception processing.

It should also be noted that new issue trades generally reflect prevailing market conditions during the issue’s order period, which precedes – often by several days – the receipt of official contractual award. On the first day trades are executed for a new issue, which is the day of formal award for a new issue, there will likely be trades reflecting that day’s market environment, in addition to trades reflecting the booking of tickets at the prices agreed to by the original buyers days before. This mix of trade data from the original buyers during the order period and from subsequent trades, all of which will be reported on the day of formal award at differing prices, would not be any more or less informative if all trades in new issues were subject to end of day reporting.

#### *Transparency in Larger, Higher-Rated Bond Trades*

The Association contends that the MSRB should show all trades for bonds that are rated “A” or higher by a nationally recognized statistical rating organization (“NRSRO”), as we believe that these measures would, at present, capture approximately 99% of the rated

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<sup>9</sup> The Association acknowledges that for the first year, certain trades in issues not in the securities master file will be subject to 3-hour reporting; however, we feel the exception is not adequate because it does not cover trades by a syndicate manager or syndicate member and sunsets after one year.

<sup>10</sup> The concept of “time of formal award” was put forth in MSRB Notice 2004-18, June 18, 2004.

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market by dollar volume.<sup>11</sup> However, we continue to express liquidity concerns for immediate dissemination of trades of bonds rated “BBB” or below in sizes over \$1 million. We urge the SEC to engage in further study of this narrow segment of the market prior to immediate dissemination of these trades to assess effects on liquidity.

*Conclusion*

The Association appreciates the opportunity to present our views to the SEC on the critical issues relating to real time trade reporting and the implementation of a real time trade reporting and price dissemination plan in the municipal market. We look forward to discussing these issues further with the SEC staff and appreciate your attention to our comments. Please contact the undersigned at 646.637.9230 or via email at [Lnorwood@bondmarkets.com](mailto:Lnorwood@bondmarkets.com) with any questions that you might have.

Sincerely,

/s/ Leslie M. Norwood

Leslie M. Norwood  
Vice President and  
Assistant General Counsel

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<sup>11</sup> We estimate this to encompass approximately 90-95% of the total municipal securities market.

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cc: ***Securities and Exchange Commission***

The Honorable William H. Donaldson, Chairman  
The Honorable Cynthia A. Glassman, Commissioner  
The Honorable Harvey J. Goldschmid, Commissioner  
The Honorable Paul S. Atkins, Commissioner  
The Honorable Roel C. Campos, Commissioner  
Giovanni P. Prezioso, General Counsel, Office of the General Counsel  
Annette L. Nazareth, Director, Division of Market Regulation  
Martha Mahan Haines, Director, Office of Municipal Securities

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***Municipal Securities Rulemaking Board***

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Harold L. Johnson, Deputy General Counsel

***The Bond Market Association***

Executive Committee, Municipal Securities Division  
Legal Advisory Committee, Municipal Securities Division  
Policy Committee, Municipal Securities Division  
Sales and Marketing Committee, Municipal Securities Division  
Operations Committee, Municipal Securities Division  
Syndicate and Trading Committee, Municipal Securities Division  
Brokers Broker Committee, Municipal Securities Division  
Regional Advisory Committee