

SR-MSRB-2005-04

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March 31, 2005

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Office of Legislative Affairs

The Honorable William H. Donaldson
Chairman
U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Dear Mr. Chairman:

I am writing in response to the draft amendments to Rule G-38 filed by the Municipal Securities Rulemaking Board on March 17, 2005. I have concerns with the MSRB's position that the disclosures made pursuant to these requirements raise concerns of unfair practices by consultants and with the subsequent proposal to bar broker-dealers from hiring independent municipal consultants.

It is my understanding that the MSRB claims it is concerned that consultants are being used to indirectly make prohibited political contributions in violation of Rule G-37 and that consultants may be using more aggressive tactics in contacting issuers.

Despite the MSRB's claims, I have been informed that consultants serve a legitimate and important role in the industry by permitting broker-dealers that do not have the resources to maintain an office in a particular jurisdiction to bid for municipal securities business in that jurisdiction. This permits issuers to have more choices and increases competition, which in turn leads to the issuer and the investing public receiving better service at lower rates. It is my understanding that given their local presence, consultants also have unique knowledge regarding the local issuer's needs and requirements, thus permitting the broker-dealer to more efficiently provide services to that issuer. Therefore, I am told that rather than harming issuers and public investors, consultants help preserve their interests.

Based on the information available to me, I believe that Rule G-38 works well in its current form. It requires full disclosure, not only to the MSRB but also to the issuers, regarding the consultant's compensation, role, and political contributions. I fully support disclosure and transparency but do not believe the MSRB should prohibit broker-dealers from hiring independent municipal consultants.

I strongly urge the Commission not to approve the proposed amendments on consultants filed by the MSRB. Thank you for your consideration of this matter.

Sincerely,

Rick Santorum
Rick Santorum
United States Senate

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