**RICK SANTORUM** PENNSYLVANIA

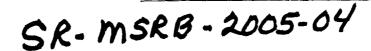
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REPUBLICAN CONFERENCE CHAIRMAN

WASHINGTON, DC 511 DIRKSEN SENATE OFFICE BUILDING WASHINGTON, DC 20510 (202) 224-6324



United States Senate http://santorum.senate.gov

March 31, 2005

COMMITTEES FINANCE BANKING HOUSING AND URBAN AFFAIRS AGRICULTURE, NUTRITION AND FORESTRY RULES AND ADMINISTRATION SPECIAL COMMITTEE ON AGING

RECEIVED

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

MAR 3 1 2005

Office of Legislative Affairs

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.

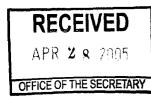
Despite the MSRB's claims, I have been informed that consultants serve a legitimate and important role in the industry by permitting broker-dealers that do not have the resources to maintain an office in a particular jurisdiction to bid for municipal securities business in that jurisdiction. This permits 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. FICE OF THE CHAIRMAN

Sincerely,

United States Senate



CI ALLENTOWN 3802 FIDERAL OFICE BALDING 504 WEST HANNED STREET ALLENTOWN, PA 18105 (610) 770-0142

D ALTOONA REGENCY SQUARE SUITE 202 ROUTE 220 NORTH 101012 220 110(11) 16601 1814) 940-7023

COUDERSPORT 81 MARVIN HILL ROAD COUDERSPORT, PA 16915 1705 WEST 26TH STREET ERE. PA 16508 (314) 274-9773 (814) 454-7114

HARRISBURG FIRST FLORIN HARRISBURG, PA 17101 (717) 231-7540

D PHI\_ADELPHIA WIDENER BUILDING ONE SOLTH PENN SQUARE SUITE 960 PHILADELIUM PA 19107 (215) 864-6900

F) PITTSBURGH □ SCRANTON 100 WEST STATION SQUARE DRIVE 527 LINDEN STREET SCRAFFICH, PA 1850 LANDMARKS BUILDING SUME 250 PITTEBURGH, PA 15219 (570) 344-8799 (412) 562-0533

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