

FINANCIAL INFORMATION FORUM

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New York, New York 10004

212-422-8568

March 15, 2013

Electronic Delivery

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: Request for Comment on More Contemporaneous Trade Price Information through a New Central Transparency Platform – [Notice 2013-02]

Dear Mr. Smith,

The Financial Information Forum (FIF)¹ would like to take this opportunity to provide feedback on Notice 2013-02 (the Notice) outlining MSRB's plans to develop a new central transparency platform (CTP) as a successor to MSRB's Real-time Transaction Reporting System (RTRS). The FIF MSRB Working Group (the group) includes broker-dealers, service bureaus and vendors responsible for trading and reporting of municipal securities and other municipal products. FIF is providing feedback based on analyzing the reporting processes and systems used by industry participants today and included questions for MSRB that should assist in designing of the CTP architecture to support the evolving municipal securities market.

Trade Reporting and Corrections

The Notice seeks comment on whether MSRB's initial decision to adopt a straight-through processing approach with regard to trade reporting and marketplace clearance and settlement functions should continue to drive the trade reporting process for the CTP. The group would like clarification on the following items:

- Does MSRB envision building a new interface for CTP and circumventing NSCC as the interface for reporting dealer trades to RTRS? What are the perceived advantages by moving away from NSCC?

¹ FIF (www.fif.com) was formed in 1996 to provide a centralized source of information on the implementation issues that impact the financial technology industry across the order lifecycle. Our [participants](#) include trading and back office service bureaus, broker-dealers, market data vendors and exchanges. Through topic-oriented working groups, FIF participants focus on critical issues and productive solutions to technology developments, regulatory initiatives, and other industry changes.

- Developing the CTP will require market participants to allocate extensive time and resources in order to review and modify existing processes and systems. Will the MSRB conduct a cost benefit analysis and work with the industry to determine the overall impact?
- In order to avoid duplicative reporting and additional costs, will the CTP provide trade data reported by firms to other regulatory trade reporting systems in the future such as the SEC Consolidated Audit Trail (CAT) system?
- Is MSRB planning on decoupling trade reporting from the clearance and settlement process? This approach could result in a lower trade matching percentage for smaller sized firms which will typically report from front end execution systems while matching will be performed in the back office and there will be less focus on matching once the reports are submitted. Separating the process will require the build out of new back office applications to report to CTP which will result in increased cost.
- Firms currently do not have the ability to make changes to mismatches in clearance-related fields that are not resolved by the end of the day without having to cancel the transaction in the clearing process. The group requests MSRB consider allowing firms to resolve mismatches by making changes to non-clearance related fields after trade date without impacting the clearing process similar to the trade reporting correction mechanism in FINRA TRACE today.

The Notice seeks comment on the factors that may have resulted in the more rapid trade reporting of small trades as compared to large trades, focusing particularly on existing barriers to having large trade reporting statistics match those of small trades. The Notice also talks about what changes that dealers would need to make in order to move from a 15 minute reporting timeframe to a shorter timeframe, such as 10 minutes or 5 minutes. Please note the following FIF comments:

- The greatest challenge for firms and data vendors today involves setting up securities under security masters to source all information in a timely manner. Broker dealers, service bureaus and data vendors have invested considerable resources to build interfaces for facilitating fifteen-minute reporting and reducing the timeframe involves a great deal of complexity and will require additional investment.
- In order to promote consistency and ease the operations burden, the group suggests MSRB consider calculating the yield, similar to FINRA TRACE. Since effective February 25, 2013, firms are required to report the contractual dollar price at which the transaction was executed for inter-dealer transactions², the group feels MSRB has all the information needed to calculate the yield.
- The group recommends MSRB reconsider shortening the existing 15 minute reporting timeframe to a shorter timeframe. While electronic platforms are becoming more prevalent, there still exists a significant presence of non-electronic platforms such as those utilizing voice trades which require a longer trade booking and trade reporting time. It is also important to realize the corporate and municipal bonds market is not centralized and highly automated as the equities market.

² See [MSRB Notice 2013-03](#)

The Notice seeks comment on outlier transactions that cannot be processed through the marketplace's clearance and settlement infrastructure. Should a web-based manual input process continue to be the primary alternate method of reporting, or are there existing or emerging dealer back-office systems designed to handle internal processing of these and other transactions that could be leveraged to automate trade reporting of these outlier transactions? More broadly, are there newly emerging technologies, processes or protocols that the MSRB should be considering for handling trade reporting processes for the CTP that can be scaled across all types of dealers in the marketplace to reduce dealer back-office burdens and to enhance consistency of data received from all reporting dealers. The group recommends maintaining the web-based manual input for processing outlier transactions and adding upload functionality.

Elimination and Time Reduction of End-Of-Day Reporting Exceptions

The Notice seeks comment on whether MSRB should eliminate any of end-of-day exceptions, or reduce the period of lag in reporting of trades currently subject to such exceptions, upon transitioning to the CTP. The group requests the continuation of existing end-of-day reporting exceptions for new issues and short-term instruments based on the following observations:

- If firms are not part of the syndicate group creating the new issue, more information is required for validation. If the required information is not available, firms have to obtain data from settlement and reporting systems which require additional time. Firms with access to intra-day feeds providing new issue information still require additional time to process updates and the corresponding records.
- The group has observed scenarios where the underwriter submits the time of the trade for a new issue more than fifteen minutes after the trade is reported.
- There is less benefit perceived in faster reporting of new issues since these transactions offer relatively little value for real-time transparency as observed by the MSRB in Notice 2007-03³. The group also seeks additional clarification from MSRB on why a dealer that is not part of the syndicate or selling group cannot utilize the "List Offering Price/Takedown" indicator if the dealer trade is being executed at the list offering price and allocated at the list offer price (i.e. Investment Advisor subsidiary). Since the trade is executed as an agent with no presumption of redistribution at a higher price, the guidance in Notice 2007-03 indicates the dealer to dealer trade and customer trade do not get relief from end of day reporting.
- Short-term instruments including auction rate securities and VRDOs are processed manually by auction providers and sponsors today using spreadsheets, emails and phone calls. The way the auction agents deliver results to firms today sometimes is not consistent and there can be delays in that process. Broker dealers have to report trades using the time of execution given by the auction agent and there could be delays in this process which could take more than 15

³ See [MSRB Notice 2007-03](#); "A large number of sales to investors at the published list price are expected on the first day of trading of a new issue, and these transactions offer relatively little value to real-time transparency."

minutes. Eliminating the exception would require the automation of this process by the providers and broker dealers. Guidance would also be required in the following scenario:

- In the case of Auction Rate Securities, what would be considered the time of when the auction results were sent to the dealers? A new trade could occur and report within 15 minutes, but how would a firm handle a rate reset, would they have to report the amendment within 15 minutes?

The group agrees on the elimination of the end-of-day reporting exception for “away from market” trades and recommends adding indicators for identification of “away from market” trades.

FIF members appreciate MSRB’s effort for seeking input on the planned development of a new Central Transparency Platform as a successor to the MSRB’s Real-time Transaction Reporting System and look forward to working with the MSRB in its review of existing rules and related interpretive guidance. Please don’t hesitate to contact us at fifinfo@fif.com or 212-422-8568 with any questions.

Regards,

A handwritten signature in black ink, appearing to read 'Arsalan', with a stylized flourish at the end.

Arsalan Shahid

Program Director, Financial Information Forum

On behalf of FIF MSRB Working Group