BDA Bond Dealers of America

21 Dupont Circle, N.W.
Suite 750
Washington, DC 20036
202.204.7900

December 14, 2010

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549-1090

RE: File Number SR-MSRB-2010-10
Response to MSRB Response to Comments

Dear Ms. Murphy:

BDA continues to oppose the MSRB's proposed fee increase and the institution of the new technology fee. The response filed by the MSRB does not provide any new information nor any concrete justification for the amount of enormous fee increases proposed that would increase its revenue by as much as 80 percent, an amount the MSRB did not dispute in its Response.

Like other commenters, BDA noted that the fees will fall disproportionately on retail investors, particularly smaller investors. In its Response, the MSRB acknowledged that was the case and made the point that it was an expected, if not intentional, outcome of its proposals. Given the SEC's role to protect investors, BDA believes this is a particularly important reason for the SEC to closely examine the MSRB's proposed fee increases.

The one piece of new information in the MSRB's response is that for the fiscal year that ended September 30, 2010, the MSRB's expenses increased to $23.1 million. Notably missing is the other side of the equation – the MSRB's revenue for that year. Simply put, we do not know if revenue covered expenses for the most recent fiscal year, just as we do not know what the MSRB's projections are for either revenue or expenses in future years. Those projections clearly exist – at least for expenses if not for revenue - since in the Response to Comments, the MSRB states that it expects expenses to increase for the next two fiscal years "at significantly higher rates." It does not, however, disclose what those expected increases are in either absolute or percentage terms.

The MSRB repeats that it wishes to establish a reserve for the replacement of its information systems. While that may be a reasonable management practice in the abstract, it is impossible to know if it is so in this case without knowing the size of the reserves proposed and the expected future costs.

BDA, like other commenters, pointed out that the entire fee increase falls on broker dealers, even though, as the MSRB acknowledges, a significant part of their increased expenses arise from the new responsibilities they have in the regulation and supervision of municipal advisors. In response, the MSRB notes that it has imposed certain fees on municipal advisors. BDA reiterates its comment that, while we believe this imposition is appropriate, it will raise less than $500,000 and will make up barely more than one percent of the MSRB's likely revenue if the increases go through as proposed.

The MSRB also makes an argument that it is effectively impossible to allocate exactly its expenses to each specific regulated group. This is not, however, what BDA argued and appears to be a "straw man" argument. The MSRB acknowledges that "over the long run" there needs to be "a reasonable relationship between the amounts assessed to a specific constituency and the level of rulemaking, system development and operational activities undertaken by the MSRB with such constituency". However, the MSRB has not made any effort in that direction nor does it indicate when it might. In our view, approval by the SEC of the current proposed fee increases will push any such "reasonable relationship" into the distant future.

Finally, BDA strongly objects to the characterization by the MSRB of BDA's concerns and those of other commenters as an attempt "to influence which initiatives the MSRB pursues by attempting to limit the resources available to it." The BDA has strongly supported several initiatives of the MSRB, especially in the technology area, and we anticipate that we will continue to support the MSRB. We also acknowledged in our comments that the MSRB has been given new responsibilities and that in recent years its expenses have risen, and that for one year, its expenses exceeded its revenues. We recognize that the MSRB plays a crucial role in the municipal markets and clearly needs adequate funding to do its job. But for the MSRB to assert that a request for transparency in its budget is an attempt to substantively control the MSRB's activities is a gross and unfair characterization of our concerns.

BDA reiterates is concerns with the MSRB's fee proposals. We urge the SEC to reject them.

Sincerely,

Michael Nicholas
Chief Executive Officer