BDA Bond Dealers of America

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June 24, 2011

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

Via email

RE: MSRB NOTICE 2011-28

Dear Mr. Smith:

The Bond Dealers of America (BDA) appreciates the opportunity to comment on MSRB Notice 2011-28 (the Notice), which would establish a new Rule G-44 regarding the supervision of municipal advisors. The BDA is a nationwide organization of middle-market broker-dealers in the U.S. fixed income markets, including especially the municipal market. Many of our members also are financial advisors to state and local governments and perform the same functions as the newly-regulated municipal advisors, to which proposed G-44 would apply.

Our members, because they are broker-dealers, have long been subject to Rule G-27. But the proposed Rule G-44 would create a two-tiered system, with municipal advisors at broker-dealers being subject to stricter requirements than stand-alone municipal advisors. This two-tiered system would not only create a competitive advantage to municipal advisors that have a stand-alone business model, but would also provide issuers with less protection when they deal with stand-alone municipal advisors. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) required the regulation of such stand-alone municipal advisors precisely because there had been a dual standard. The MSRB rules should cure that dual standard rather than perpetuate it and should not favor one business model over another.

In particular, the BDA strongly urges the MSRB to require all municipal advisors to have a designated Chief Compliance Officer. This is common practice in the financial industry and is an indispensible element to ensure that someone in a firm is charged with keeping track of and ensuring compliance with the rules and regulations governing the firm. Without such a designated person, there would not necessarily be a person responsible for and tasked with compliance. There needs to be such a responsible person to assure accountability.

The BDA also strongly urges the MSRB to require an annual compliance report to the firm's senior management. Such a report is the minimum that should be done to assure compliance with the MSRB's rules. As with the appointment of a Chief Compliance Officer, this is a commonly required practice in the financial sector and stand-alone municipal advisors should not be exempt from such a basic compliance requirement.

Finally, one of the justifications given in the Notice for differing standards between municipal advisors at a broker-dealer and stand-alone municipal advisors is that the stand-alone municipal advisors do not have "customers." However, we note that municipal advisors, contrary to the assertion in the Notice, do have "customers" in the sense that they engage in private placements. We believe that it is not correct for the MSRB to treat those investors as if they are beyond the protections afforded to other investors and so object to any distinction on that basis between municipal advisors associated with broker-dealers and stand-alone municipal advisors.

We note, as we have in other recent comments, that the MSRB is proposing regulation of municipal advisors before the definition of exactly who is a municipal advisor is settled. We believe this is not advisable and may have additional comments when the definition is settled.

Dodd-Frank required the regulation of municipal advisors in order to protect issuers and require a level playing field among all those who engage in municipal advice. The MSRB has done a great deal in a short time toward those goals. We urge you to take the additional steps outlined here in order to more closely achieve those goals.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Chief Executive Officer