

June 28, 2021

Mr. Ronald Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I St NW Ste 1000  
Washington DC 20005

Transmitted electronically

In regard to MSRB Notice 2021-08

Dear Mr. Smith,

The Bond Dealers of America (BDA) is pleased provide comments on MSRB Notice 2021-08, "Request for Comment on Amendments to Rule G-10 Notification Requirements for Dealers" (The "Notice"). BDA is the only DC-based organization exclusively representing the interests of securities dealers and banks active in the US fixed income markets. Our members serve as both underwriters and Municipal Advisers ("MAs") on municipal securities transactions.

BDA generally welcomes and supports the changes proposed in the Notice. We raised issues about the application of MSRB Rule G-10 (the "Rule") in our January letter to the Board on MSRB Notice 2020-19, "MSRB Requests Input on Strategic Goals and Priorities." In our letter we stated that the Rule "results in superfluous disclosures to customers who do not own or trade municipal securities." We also asked the Board to amend the Rule to "specify that it applies to customers who own municipal securities or who have traded municipal securities since the dealer's last annual disclosure." In the Notice the MSRB proposes to eliminate the G-10 disclosure requirement for retail customers who have not owned or traded municipal securities within the most recent 12-month period and would exempt Sophisticated Municipal Market Professionals ("SMMPs") from the Rule altogether if the dealer makes the relevant information available on its Web site.

BDA fully supports the Board's proposal. The Rule as currently written requires disclosures specific to the MSRB and the municipal market to customers who have never and may never own or trade a municipal security. It has resulted in unnecessary and costly disclosures to customers who do not need the information. The Board's proposed changes would make the dealer disclosure process more efficient without threatening any investor protections. We urge the Board to move forward.

As the MSRB continues its review of Rule G-10, we recommend additional amendments to the Rule which would also lower the cost of transmitting disclosures for broker-dealers while ensuring that retail customers have the information they need. We urge consideration of the following three specific changes:

Exempt issuers from annual customer disclosures. The Rule specifies that dealers must provide the relevant disclosures "to each customer." MSRB Rule D-9 defines customer as "any person other than a broker, dealer, or municipal securities dealer acting in its capacity as such or an issuer in transactions

involving the sale by the issuer of a new issue of its securities.” We do not believe the broad definition of customer, which includes issuers, makes sense in the context of G-10. The types of disclosures that must be made under the Rule—information about the firm’s registration status and a reference to a MSRB investor protection brochure—generally do not apply to issuers. Like SMMPs, issuers are financial professionals who understand the municipal market well enough to know about the MSRB as a resource and do not require additional annual reminders. Eliminating the requirement for dealers to make G-10 disclosures to issuers would further enhance the efficiency of the Rule without threatening any regulatory protections.

The same reasoning applies to issuers that are MA clients. The Rule specifies that MAs must make G-10 disclosures to clients with whom they have a MA relationship “no less than once each calendar year...during the course of that municipal advisory relationship.” For many dealer MAs, making these disclosures is a cumbersome, manual process, and MAs already provide information required to be disclosed under Rule G-10 in MA engagement letters directed at issuer clients. Issuers, as municipal financial professionals, do not need annual reminders of the role of the MSRB. We ask that the Board eliminate the requirement for MAs to make annual disclosures to their advisory clients.

Permit clearing firms to make G-10 customer disclosures on behalf of the dealer with the customer relationship. Many broker-dealers employ the services of clearing firms as opposed to clearing all trades themselves. Clearing firms are broker-dealers with a specialty business of serving as other dealers’ “back office” by clearing and settling trades for other dealers, serving as custodian for customer securities and cash, and providing other services such as generating and transmitting customer account statements. In some cases it may be more efficient for the clearing firm to transmit the appropriate G-10 disclosures to customers rather than the firm with the customer relationship, or the “introducing dealer.” Rule G-10 should explicitly permit this.

FINRA Rule 2666, “Investor Education and Protection,” is a customer disclosure rule analogous in some ways to Rule G-10, although it focuses on disclosures related to the Securities Investors Protection Corporation, not the MSRB. Rule 2666 states explicitly “In cases where both an introducing firm and clearing firm service an account, the firms may assign these requirements to one of the firms.” We ask that the MSRB provide similar flexibility under Rule G-10.

Eliminate the disclosure requirement for customers who do not own municipal securities. The proposal in the Notice would require dealers to send G-10 disclosures once every calendar year to each customer (a) for which a purchase or sale of a municipal security was effected during that calendar year, or (b) who holds a municipal securities position during that calendar year. The second requirement mandates sending G-10 disclosures to any customer that held a municipal securities position at any time during the calendar year, even if such customer does not hold a municipal securities position at the time that the annual mailing list is generated or the disclosure is sent. There is no justification for sending municipal-specific disclosures to customers who do not own and have not traded municipal securities. We urge the MSRB to revise the Rule so that G-10 disclosures would be made to customers who have traded municipal securities in the last year or who own municipal securities at the time the disclosure transmission is prepared.

We applaud the MSRB for the changes proposed in the Notice. The proposed amendments to Rule G-10 would lower costs for dealers without sacrificing investor protection or transparency. In keeping with the same theme, we urge the Board to consider additional changes to the Rule to exempt issuers from these disclosures, permit clearing firms to transmit the relevant disclosures on behalf of their introducing firms' customers, and require disclosures for customers who own municipal securities or have traded them since the last annual disclosure. Please call or write if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Decker", written in a cursive style.

Michael Decker  
Senior Vice President