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MSRB Seeks Input on Potential Enhancements to Price Transparency in the Municipal Market.

The Municipal Securities Rulemaking Board (the “MSRB”) is publishing this second in a series of concept releases relating to the planned development of a new central transparency platform (the “CTP”) as contemplated under the MSRB’s Long-Range Plan for Market Transparency Products, (January 27, 2012) (the “Long-Range Plan”).[1] The MSRB is seeking input from all interested parties on the specific data elements the MSRB should consider disseminating publicly through the CTP with respect to both pre-trade and post-trade pricing information. The MSRB also is seeking input on the appropriate methods, technologies and data protocols that could be used in collecting pre-trade information in a manner that is most efficient for market participants potentially submitting or using such data and for the MSRB as operator of the CTP. Furthermore, this concept release is intended to elicit input on the potential benefits and burdens of providing pre-trade pricing information to the public through the MSRB’s Electronic Municipal Market Access (EMMA®) website[2] and related data feeds, as well as on potential alternatives to achieving the goals enunciated below.

Comments should be submitted no later than November 1, 2013 and may be submitted in electronic or paper form. Comments may be submitted electronically by clicking [here](#). Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, Municipal Securities Rulemaking Board, 1900 Duke Street, Suite 600, Alexandria, VA 22314. All comments will be available for public inspection on the MSRB’s website.[3]

BACKGROUND

Transparency refers to the degree to which information regarding quotations for securities, the prices of transactions, and the volume of those transactions is made publicly available in a securities market.[4] Pre-trade transparency typically refers to public dissemination of information indicating the size and price of prospective trading interest in specific securities. Generally, this means dissemination of firm quotations of a specified size – that is, a commitment to buy or sell a specific quantity of a particular municipal security at a stated price. Pre-trade transparency information may also include pending limit orders from customers or other indications of trading interest. The exact nature of pre-trade transparency information that is (or can be made) available will depend on the structure of the specific market in question. Post-trade transparency refers to public dissemination of information regarding the size and price of specific executed securities transactions.

With respect to post-trade price transparency, MSRB Rule G-14 currently requires brokers, dealers and municipal securities dealers (“dealers”) to report all executed transactions in municipal securities to the MSRB’s Real-Time Transaction Reporting System (“RTRS”) within fifteen minutes of the time of trade, with limited exceptions.[5] RTRS serves the dual objectives of price transparency and market surveillance. Because a comprehensive database of transactions is needed for the surveillance function of RTRS, Rule G-14, with limited exceptions, requires dealers to report all of their purchase-sale transactions to RTRS, not just those that qualify for public dissemination to serve the transparency function.[6] The MSRB makes transaction data available to the general

public through the EMMA website at no cost simultaneously with the dissemination of such data through paid subscription services to market data vendors, institutional market participants and others that subscribe to the data feed.

With respect to pre-trade price transparency, there is currently no central location in the municipal market through which such pricing information is made broadly available to the public in a comprehensive manner. To the extent that pre-trade pricing information is available, it is typically provided by electronic networks operated by broker's brokers, alternative trading systems (ATS) and other similar systems,[7] although such information also has sometimes been provided through non-electronic venues as well. Typically, access to pre-trade pricing information is limited to market participants engaging directly with such venues and may be further limited to information regarding only those potential transactions involving the particular market participant, with information consisting of some or all of the bids and offers entered for a potential transaction.

The MSRB's Long-Range Plan envisions that the CTP would serve as the next-generation of RTRS and would include, in addition to enhanced public access to real-time post-trade pricing information, new centralized public access to pre-trade pricing information, as well as related disclosure information, yield curves and other utilities for public users of the information. The Long-Range Plan anticipated that such information would be obtained both under regulatory requirements established under MSRB rules as well as through voluntary submissions by market participants. While the CTP could ultimately provide links to market participants where any execution activities could be undertaken away from the CTP, the Long-Range Plan contemplates that the CTP itself would serve solely as an information platform and would not act as an exchange, automated trading system, or other form of execution venue.

Thus, while RTRS has democratized access to post-trade pricing information, either directly through the EMMA website or through third-party vendors that receive the automated feed of RTRS data from the MSRB, access to pre-trade pricing information is piecemeal, incomplete and largely limited to institutional market participants. The Long-Range Plan's focus on improved public access to pre-trade pricing information as an expansion on the MSRB's existing post-trade pricing information dissemination is supported by recent reports by the Securities and Exchange Commission (the "SEC") and the Government Accountability Office (the "GAO"), which state that certain market participants, especially retail investors, do not have access to the same amount and type of information that is available to larger institutional investors, dealers and more sophisticated market participants. For example, in January 2012, the GAO published a report on the municipal securities market that found, among other things, that a key barrier to the ability of individual investors (as compared to institutional market participants) to independently assess offers and bids they received from their dealers for municipal securities they were interested in purchasing or selling is the lack of access to pre-trade pricing information in the form of offerings and bids.[8]

In July 2012, the SEC published a report recommending enhancements to the flow of information to investors.[9] In this report, the SEC noted that investors have very limited access to the level of interest in a particular municipal security and the specific price levels. Furthermore, the report suggests that bids and offers are generally not made publically available by ATSs, brokers' brokers or dealers that use their facilities, even though these electronic trading systems are primarily used for smaller, retail-size orders. In this regard, the SEC made two recommendations: (1) the SEC could consider amendments to Regulation ATS to require an ATS with material transaction or dollar volume in municipal securities to publicly disseminate its best bid and offer prices and, on a delayed and non-attributable basis, responses to "bids wanted" auctions, and (2) the MSRB could consider rules requiring a brokers' broker with material transaction or dollar volume in municipal securities to publicly disseminate the best bid and offer prices on any electronic network it operates and, on a

delayed and non-attributable basis, responses to “bids wanted” auctions. Subsequently, participants in the SEC’s April 2013 Fixed Income Roundtable discussed, among other things, potential improvements to municipal market transparency, liquidity and efficiency that could be furthered by the collection of bid and offer information, together with the public display of this information if accompanied with appropriate education and guidance to provide the public with the ability to interpret the information.[10]

The MSRB is seeking comment on potential enhancements to the specific data elements collected and disseminated through RTRS in connection with post-trade pricing information that would be provided through the CTP, as well as on a number of key aspects relating to the potential collection and dissemination of pre-trade pricing information through the CTP, as discussed below.

POTENTIAL ENHANCEMENTS TO POST-TRADE PRICE TRANSPARENCY

Discussed below are several areas in which modifications to the current post-trade price transparency reporting and public dissemination process could potentially improve the quality and usefulness of the transaction information collected and disseminated. The MSRB is seeking input in these various areas, as well as on any other aspects of post-trade price transparency not otherwise addressed below. If the MSRB determines that any of the modifications identified below are appropriate, the MSRB would publish more specific proposals in a future request for comment prior to implementation.

Transaction Reporting of New Issues

Potential New Indicator for Conditional Trading Commitments . Although trade executions and trade confirmations for new issues are not permitted prior to the formal award of the bonds by the issuer to the underwriter,[11] dealers often solicit orders, accept orders and conditionally allocate to orders prior to the formal award. The prices at which such orders are conditionally allocated pending the formal award (referred to herein as “conditional trading commitments” or “CTCs”) generally are determined prior to the formal award and often will reflect market conditions at the time of such determination rather than at the time the trade is actually executed after the formal award.

The MSRB seeks comment on whether to require reporting of information regarding conditional trading commitments, with such information disseminated to the public.[12] Specifically:

In the case of a transaction resulting from a CTC, would the marketplace benefit from reporting by dealers and public dissemination by the MSRB of an indicator denoting that post-trade pricing information for the transaction reflects pricing under a CTC? Are there any reasons why such a CTC indicator may not be beneficial to market participants or could be misleading?

Should the CTC indicator be accompanied by the date and time at which such CTC was formed? Would providing such additional information assist issuers, as well as their teams of professionals working on bringing new issues to market, in meeting their obligations under the Internal Revenue Code with regard to issue price?

Should CTC information be reported to the MSRB as part of the post-trade reporting process, or should they instead be reported at the time the commitment is made? What operational or other difficulties would dealers face in reporting CTC information to the MSRB in either scenario? Would the benefits of collecting and disseminating such information outweigh the burden on dealers to provide it?

Potential New Indicator for Retail Order Period Trades . In some cases, a new issue may be offered with a retail order period in which the securities are to be marketed to investors that meet the definition of retail for purposes of the offering. The MSRB seeks comment on whether to require the use of a new indicator to denote retail orders placed during a retail order period, with such information disseminated to the public.[13] Specifically:

If a retail order period is used in a new issue offering, would the marketplace benefit from having dealers that place retail orders during the order period report such trades to the MSRB with an indicator that the trade resulted from a retail order? Should the MSRB consider developing a series of indicators that dealers would use to differentiate among the types of investors that an issuer may have defined as qualifying as retail (individual investor, investment advisor on behalf of an individual investor, etc.)?

Beyond identification of the nature of retail orders, should the MSRB more broadly consider developing a series of indicators that dealers would use to indicate the category of investor involved in customer trades reported to the MSRB? If so, how granular should those categories be? For example, would it be beneficial for dealers to distinguish between individual investors and institutional investors? Or should dealers distinguish among types of institutional investors and, if so, what should the categories be (sophisticated municipal market professional, investment advisor, insurance company, etc.)? What would be the burden to dealers of instituting such a requirement, and would there be other potential negative ramifications of doing so?

Existing Indicator for List Offering Price and RTRS Takedown Transactions . Current transaction reporting procedures require dealers that are part of the underwriting group for a new issue to include an indicator on trade reports (which indicator is disseminated to the public) for transactions executed on the first day of trading in a new issue with prices set under an offering agreement for the new issue. These transactions include sales to customers by a sole underwriter, syndicate manager, syndicate member or selling group member at the published list offering price for the security ("List Offering Price Transaction") or by a sole underwriter or syndicate manager to a syndicate or selling group member at a discount from the published list offering price for the security ("RTRS Takedown Transaction"). Such trade reports are provided an end-of-day exception from the fifteen-minute reporting requirement since they are executed at, or based on, published list offering prices and such prices may not reflect market conditions at the time that the transactions are actually effected.

Since the introduction of this List Offering Price/RTRS Takedown Transaction provision, certain market practices and the information publicly available through the EMMA website have evolved. Outside of traditional underwriting syndicates or selling groups, some dealers have entered into long-term marketing arrangements with other dealers that serve in the syndicate or selling group, under terms that are not generally disclosed publicly, relating to purchases and resales of new issue securities. The MSRB also now provides through the EMMA website public access to the initial offering price scale for most new issues, typically within two hours of the time of formal award and before the underwriter's announced time of first execution of trades. However, the discount from the published list offering price for RTRS Takedown Transactions is not generally published to the public through any of the EMMA data products.

In the January 2013 Concept Release, the MSRB sought comment on whether the end-of-day exception from 15 minute reporting should be eliminated for List Offering Price/RTRS Takedown Transactions, or whether the period of lag in reporting of such trades should be reduced.[14] The MSRB seeks further comment with respect to the following matters as they relate to this provision:

Is the current List Offering Price/RTRS Takedown Transaction indicator a useful indicator for users

of disseminated pricing information?

Although the price at which List Offering Price trades occur are now known to the public on a more timely basis through the initial offering scale published on EMMA, [15] does the delay in reporting the principal amount and number of trades sold at the List Offering Price until the end of the trading day adversely affect transparency or otherwise negatively impact some market participants during the first day of trading in a new issue?

Consistent with the discussion above regarding conditional trading commitments, should underwriters reporting the initial offering scale for new issues be required to indicate the date and time when the scale was established? Should the List Offering Price indicator and related end-of-day reporting exception be subsumed within any new conditional trading commitment submission requirement as described above?

Should the MSRB establish a requirement that the discount from the published list offering price for RTRS Takedown Transactions also be published to EMMA as a condition to providing dealers with an end-of-day reporting exception for such trades? Are takedown discounts for new issues structured in a manner conducive to uniform reporting through EMMA? Even if such takedown discounts are made publicly available, does the delay in reporting the principal amount and number of trades sold in RTRS Takedown Transactions until the end of the trading day adversely affect transparency or otherwise negatively impact some market participants during the first day of trading in a new issue?

What would be the burden to dealers of reporting any such additional items of information regarding List Offering Price/RTRS Takedown Transactions, and would the benefits of such additional information outweigh such burden?

Transaction Yields

Transaction reporting procedures require dealers to include on most reports of customer transactions to RTRS both a dollar price and yield.[16] The yield required to be reported to RTRS for customer trades is consistent with the yield required to be displayed on a customer confirmation under Rule G-15(a), which requires yield to be computed to the lower of an “in whole” call or maturity, subject to certain requirements set forth in the rule for specific special situations (generally referred to as the “yield to worst”). Rule G-15(a) requires the confirmation to include the date to which yield is calculated if such date is other than the nominal maturity date, and also requires the confirmation for a transaction effected based on a yield other than yield to worst to include both yields. Since April 30, 2012, the MSRB has calculated and included in disseminated RTRS information yield on inter-dealer trades computed in the same manner as required for customer trades.

The MSRB seeks comment on whether to modify the yield reporting components of trade reporting. Specifically:

Should the MSRB itself compute yield to worst for customer trades, as it currently does for inter-dealer trades? If so, should the MSRB eliminate the requirement for reporting of yield to worst by dealers in customer transactions? Would such an approach create any unintended problems for price transparency? Would removing the requirement for dealers to include yield on reports of customer transactions reduce the compliance and operational burden on dealers?

Should the MSRB require dealers to include in their trade reports, and should the MSRB disseminate publicly, the date and redemption price to which yield is calculated if other than the nominal maturity date and value? Would such a requirement create a burden on dealers that

outweighs the benefits of such additional transparency?

Should the MSRB require dealers to include in their trade reports for trades effected based on a yield other than yield to worst, and should the MSRB disseminate publicly, the yield at which such trade was effected and the date to which such yield is calculated? Would such a requirement create a burden on dealers that outweighs the benefits of such additional transparency?

Are there additional yield calculations that the MSRB should consider requiring dealers to report or that the MSRB should consider itself calculating and disseminating?

Would having multiple yields publicly disseminated for some or all trades be confusing or misleading to users of this information, or would it provide greater price transparency that would outweigh any potential confusion?

Consistency of Transaction Price Reporting

Normally, in principal transactions, the trade price reported to and publicly disseminated by the MSRB includes all aspects of the price, including any mark-up or mark-down that compensates the dealer for executing the transaction. In agency transactions, dealers are required to report to the MSRB both the price of the security and the commission charged to the customer. RTRS currently calculates yield on agency trades using this reported information, then derives a transaction price based on this calculated yield, resulting in publicly disseminated prices for agency transaction also incorporating the compensation component in order to be comparable to principal trade prices. However, dealers effecting transactions as part of an arrangement that does not provide for dealer compensation to be paid on a transaction-based fee basis, such as in certain wrap fee arrangements, will report to the MSRB transaction prices that do not include a compensation component, and current yield calculation requirements would not capture any such non-transaction-based compensation component. The MSRB does not currently collect information regarding fees charged in non-transaction-based compensation arrangements, nor does it collect or disseminate an indicator of transactions that are effected in that manner

The MSRB seeks comment on whether to modify reporting requirements or public dissemination of trade data relating to transactions where fees are charged on a non-transaction-based basis. Specifically:

What would be the best approach for handling trades with non-transaction-based compensation arrangements? Should the MSRB require dealers to report the nature of such compensation arrangements?

Would it be sufficient to require dealers to report, and for the MSRB to disseminate, an indicator that a trade involved a non-transaction based compensation arrangement?

Market of Execution

The MSRB understands that dealers may use a variety of means for transacting in municipal securities, including broker's brokers or alternative trading systems ("ATS") as well as traditional direct transactions with a known counterparty. The MSRB currently identifies all transactions executed by a broker's broker. This identifier is applied based on the broker's broker informing the MSRB that it acts in such capacity. The MSRB does not currently identify trades executed through an ATS.

The MSRB seeks comment on whether to modify reporting requirements or public dissemination of trade data relating to the use of such third-party venues. Specifically:

Should the MSRB require dealers effecting transactions through an ATS to include an indicator to that effect? Should such indicator be included in the information disseminated publicly? Are there other venues through which dealers effect transactions that should be reflected by an indicator? For any trades subject to a venue indicator, would it be sufficient to indicate the type of venue or should dealers be required to identify the specific venue? What would be the benefits and burdens of establishing such a requirement?

Is the existing broker's broker indicator included on disseminated information useful? Would a greater level of precision in the application of the broker's broker identifier be appropriate such that the dealers transacting with the broker's broker and/or the broker's broker itself include an identifier on the trade report to signify that the transaction was executed by a broker's broker in its capacity as such?

Away From Market Transactions

As noted above, dealers are required to report virtually all transactions in municipal securities to RTRS. This is necessary for a comprehensive database of transactions for the surveillance function of RTRS. The MSRB has recognized that some transactions are not useful in determining, and may in fact be a misleading indicator of, the current market value of a municipal security, either because the transaction price differs substantially from the market price or the trade is the result of a specific scenario where the trade executed is not a typical arms-length transaction negotiated in the secondary market.^[17] These transactions include customer repurchase agreement transactions, transactions from an accumulation account to a unit investment trust unit and trades into and out of derivative trusts for tender option bond programs. Accordingly, RTRS has included an away from market indicator that is required to be used by dealers reporting transactions arising from these types of trading situations that allows such transactions to be reported and entered into the RTRS database used for surveillance but not disseminated publicly.

The MSRB seeks comment on whether some or all information for such transactions should be included in publicly disseminated information. Specifically:

Although the price at which these transactions are effected may not be reflective of current market value, does the failure to report the existence of such trades, including the principal amount and number of trades, adversely affect transparency or otherwise negatively impact some market participants?

Would there be benefits to publicly disseminating the principal amount, without the price, of away from market trades with an indicator that the trade occurred at a price away from the market? Would there be any negative implications of disseminating such information? Would delayed reporting of away from market trades be appropriate and, if so, what would be the appropriate delay?

Are there other categories of "away from market" trades, in addition to those noted above, that should be explicitly recognized by the MSRB as qualifying for the end-of-day reporting exception?

Are there any categories of "away from market" trades that should be fully exempted from reporting, even for surveillance purposes? Would providing such a full exemption have any negative impact on the marketplace, directly or indirectly as a result of potentially impeding the ability of regulators to surveil the marketplace or to enforce applicable MSRB rules? Would any such full exemption be consistent with current processes within the broader securities market to develop a consolidated audit trail?

Transactions with Affiliated Entities

In recent years, some dealers have informed the MSRB that new corporate structures have been formed whereby some dealers establish several distinct corporate entities to perform specific functions. For example, some corporate structures involve one corporate entity that holds inventory and another corporate entity that transacts with customers. In these cases, the corporate entity that transacts with customers will acquire bonds from or sell liquidated positions to the corporate entity that holds inventory on an exclusive basis. Given the mechanical nature of these intra-corporate entity transactions and the fact that the prices at which these transactions occur are based on set arrangements raises questions about whether such transactions reflect negotiated arms-length transactions priced based on current market conditions. The MSRB seeks comment on the following:

To what extent have dealers employed such corporate structures where transactions occur between two separate legal entities on an exclusive basis at prearranged pricing arrangements? Are there other arrangements among dealers that present similar transaction reporting issues?

Should transactions arising from these corporate structures be identified as being “away from market” transactions or should a new indicator be used for identifying such transactions when they are reported? If a new indicator is used, should such transactions continue to be disseminated publicly and include this new indicator?

POTENTIAL COLLECTION AND DISSEMINATION OF PRE-TRADE INFORMATION

To increase the level of pre-trade pricing information available in the municipal market place, the MSRB is considering whether to propose the collection and dissemination of certain pre-trade pricing information. The information proposed to be collected would provide investors and other market participants with access to pre-trade pricing information generally not available publicly. The MSRB seeks comment on all aspects of the potential collection and dissemination of pre-trade information, including any aspects of pre-trade price transparency not otherwise addressed below. Specifically:

Would collection and public dissemination of additional pre-trade transparency by the MSRB improve pricing efficiency, investor confidence and liquidity in the market place? Would providing such information publicly have any negative impacts on market participants or the marketplace in general?

As an alternative to the MSRB collecting such information for public dissemination through the EMMA website, are there existing venues for public access to all or some of this information? Do daily bids and offers available through these existing venues provide a true and reliable indication of market levels? Would providing access to these existing venues through the EMMA website, rather than providing the pre-trade information itself through the EMMA website, meet the MSRB’s stated objectives for providing access to this information to the public? Would any of these venues provide access to issuers and investors, including retail investors, at no cost? Are there other alternatives to achieving the goals of broadly available pre-trade price transparency that would be more effective or less burdensome than those described in this concept release?

What types of information or tools should be provided along with the pre-trade information itself to help the public understand the nature and potential uses of the information?

Potential Data Elements

To the extent that these data elements are available, the core items of pre-trade pricing information

proposed to be collected and disseminated could include:

- CUSIP number
- Date and time of bid submission
- Date and time of offer submission
- Bid quantity
- Bid yield
- Bid price
- Offer quantity
- Offer yield
- Offer price
- Offer minimum quantity
- Submitter ID
- Indicator of matched bid and offer, if applicable
- Venue type indicator [ATS, broker's broker, exchange, dealer]
- Entity placing bid/offer type [dealer/investor]

Depending on various issues raised in the remainder of the Concept Release, additional items of information ultimately may also be included among the data elements to be collected and disseminated to properly collect and identify such additional information that commenters believe the MSRB should include in the CTP. The MSRB seeks comment with regard to the appropriate data elements to collect with respect to pre-trade transparency, as follows:

Are the specific data items listed above the appropriate pre-trade pricing information for collection? Would any of these items present specific difficulties with regard to the ability to report such items? Are certain of these items valuable for purposes of regulatory surveillance but not for purposes of dissemination to the public?

What additional data elements used by venues that currently handle bids for and offers of municipal securities would be necessary or useful for the MSRB to collect?

Types of Offerings for Which Pre-Trade Information Should be Collected

Depending on the venue, municipal securities may be offered for sale through various mechanisms. For example, municipal securities can be offered for sale through a "bid wanted" process in which bids to purchase the securities are sought and potentially multiple priced bids are submitted.^[18] In some cases, the bid wanted process will result in a sale of the securities to a winning bidder, whereas in other cases a satisfactory bid will not be received and no transaction will result. In still other cases, the party offering the securities may enter into a negotiation with one of the bidders to sell the security at a negotiated price that may differ from the price of that bidder's bid. Municipal securities also can be offered outside of a bid wanted process, such as by posting the offer for sale at a stated price that a purchaser can execute against at such price or through a negotiation, among others.

The MSRB seeks comment on the types of offerings for which pre-trade information should be collected and publicly disseminated. Specifically:

Should pre-trade information be sought only in connection with bid wanted offerings? If so, should these be limited to bid wanteds conducted solely by or through ATSs and broker's brokers, or should they also include bid wanteds conducted directly by dealers? Are there other venues through which bid wanteds are conducted for which pre-trade information should be included?

Should all bids in an offering be collected and displayed, or only the best bid in an offering? If not all bids are to be collected and displayed, should the MSRB also include the cover bid and/or the total number of bids in the offering?

Should the collection and public dissemination of pre-trade information be limited to information from bid wanteds that result in an executed transaction between the offeror and a winning bidder? Or should it also include information where bids are placed for an offering but does not result in an executed transaction? Or should it further include information about offerings where no bids are placed?

Are there other types of offerings, other than through a bid wanted process, for which pre-trade information should be sought? How would the MSRB collect the relevant information for any such other types of offerings?

The MSRB recognizes that the exchange of certain bid and offer information is not always done electronically via ATS, broker's brokers or other electronic trading networks but instead through traditional voice brokerage or other one-to-one communications. Should the MSRB seek to collect and publicly disseminate such other pre-trade information and, if so, is there an appropriate method that the MSRB could use to attempt to collect the information that is not disseminated electronically?

What would be the burden of reporting any of pre-trade information through any of the types of offerings described above, and would the benefits of such pre-trade information outweigh such burden?

Data Quality Issues Relating to Pre-Trade Information

The MSRB understands that, in some cases, a bid or offer may not truly reflect an intent to effect a transaction in a posted security at a market price. For example, a single block of bonds may sometimes be posted in multiple venues simultaneously (such that there can be no expectation that a transaction will be executed in all such venues), or may be posted for price discovery purposes only with no real intent to execute a transaction. In addition, a bidder may in some cases enter a bid, as an accommodation to another party or for other reasons, that it does not intend to result in a sale and that likely does not reflect an accurate assessment of the bond's market value (e.g., a so-called "throw-away bid").^[19]

The MSRB seeks comment on the extent to which information about certain types of bids or offers may not be well suited to public dissemination. Specifically:

If a single block of bonds is offered in multiple venues, would the marketplace be better served to have all such offerings included in the disseminated pre-trade information, or should such information be filtered in some way, such as to eliminate potentially overstating the volume of bonds offered? If filtering would be appropriate, how would the MSRB identify situations where such filtering should occur? For example, is it possible to distinguish, with a high degree of confidence, situations where a single block is being offered in multiple venues from situations where a market participant is offering same-sized but different blocks of the same securities in different venues?

Should the MSRB seek to filter out offerings posted for price discovery purposes rather than with an intent to sell, or to filter out throw-away bids? In either case, is it possible to distinguish, with a high degree of confidence, those bids and offers that should be retained for dissemination purposes from those that should be suppressed?

Technology and Protocols for Collecting Pre-Trade Information

In the January 2013 Concept Release, the MSRB sought input on certain baseline technology, processes and protocols relating to some of the potential new data elements or data types that might be included in the CTP to assist the MSRB in pursuing a CTP architecture that can support a broad array of data types in a manner that is most efficient for the MSRB as well as for market participants who may have a role in the submission or dissemination of such data. In particular, in connection with the potential collection of pre-trade information, the MSRB sought input on the most effective methods currently used to disseminate such information among market participants, and whether such methods would be appropriate for the purposes of the CTP. The MSRB received only limited comments on these issues. The MSRB again seeks comment on these types of technology and protocol issues with respect to pre-trade information. Specifically:

The MSRB understands that the FIX messaging protocol [20] is commonly used in the fixed income market for purposes of entering bids and offers. Is there any reason why the FIX messaging protocol would not be appropriate for purposes of submitting pre-trade information to the MSRB? Are there alternative messaging protocols, and what are the relative merits of available alternatives as compared to the FIX messaging protocol?

If the FIX messaging protocol is the appropriate method of collecting pre-trade pricing information, are there certain data fields, in addition to the ones listed above, that should be required from participants?

Are there any specific data transmission infrastructures currently in existence through which pre-trade information customarily is transmitted to trading venues that would be appropriate for the MSRB to consider utilizing if it were to collect pre-trade information? If there are no such specific infrastructures commonly used for this type of data, or if such infrastructures might not be ideal for use by the MSRB, are there other technological processes that might be well adapted to the purposes described herein?

Manner and Timing of Collecting Pre-Trade Information

In the case of bid wanteds, the process typically begins with the posting of an offer of municipal securities, a period of time during which bids can be posted, a point in time at which all bids must be entered, and a time at which the offeror accepts a bid, if at all. Depending on how and where the bid wanted is conducted, trade execution may occur in conjunction with the acceptance of the bid or shortly thereafter, or trade execution may occur away from the venue somewhat later. The MSRB seeks comment on which parties should submit pre-trade information to the MSRB and the manner and timing for providing such information. Specifically:

Should the MSRB seek to obtain pre-trade information directly from the venue through which the offerings are made, or should such information be submitted by the dealers placing the bids and offers? If not collected from the venue but instead from parties placing the bids and offers, would the MSRB risk obtaining incomplete information to the extent that a venue permits bids or offers to be placed by investors or other market participants over which the MSRB does not have regulatory jurisdiction? If such information is best collected directly from the venue, should the MSRB nevertheless collect the data from dealers in those cases where they use a venue that is not subject to the MSRB's jurisdiction (e.g., an exchange rather than a dealer ATS or broker's broker)?

Should the MSRB seek to obtain bid and offer information as they are placed on a real-time basis (e.g., within 15 minutes of the bid or offer being placed), or should the information be provided at a later time, such as within a specified period after the end of the offering or by the end of the trading

day?

If pre-trade information is to be provided to the MSRB after the end of the offering or by the end of the trading day, should the MSRB seek to have all bids and offers for an offering submitted as a single bundle of data, or should each bid and offer be submitted individually?

If pre-trade information is to be provided to the MSRB on a real-time basis, should the MSRB seek to obtain such information after the bid or offer has been placed at the offering venue or simultaneously with the placing of the bid or offer? If simultaneously, would existing infrastructures support a straight-through process by which the same message transmitted to the offering venue could be routed to the MSRB?

Should the MSRB attempt to associate bids and offers placed in the same offering with the specific offering, or should they simply be associated with a particular security without identifying to which offering of that security such bid or offer applies? If bids and offers related to a particular offering are to be associated, what would be the best way of doing so?

Should the MSRB attempt to associate a matched bid and offer with the actual final executed transaction as reported to the MSRB? Given that certain entities providing access to pre-trade bids and offers do not take a position or participate in the exchange of security and money and therefore may not have final confirmation that a deal was conducted, who is the entity best positioned to provide information to the MSRB regarding whether specific bids and offers have resulted in executed trades? How would the MSRB match bids and offers to a particular executed transaction?

Public Dissemination of Pre-Trade Information

The MSRB would display pre-trade information it collects through the CTP in a venue on the EMMA website designed to integrate pre-trade, post-trade and other related information for a particular security. In addition, the MSRB anticipates that such pre-trade information would be made available through paid subscription services through a data feed. The MSRB seeks comment on how such information should be displayed. Specifically:

For pre-trade price transparency information to be beneficial to investors and market participants if available on EMMA, would such information have to be disseminated real-time, or near real-time, or would dissemination on a delayed basis be appropriate? If delaying the dissemination of the information is appropriate, how long could such information be delayed and still be beneficial to investors and market participants without becoming stale?

What type of educational material would be appropriate and necessary to accompany the pre-trade pricing information in order to provide a comprehensive guide of the data and its use that would permit non-professionals to make effective use of the information?

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Questions about this notice may be directed to Justin R. Pica, Director, Product Management - Market Transparency, Marcelo Vieira, Director of Research, or Ernesto Lanza, Deputy Executive Director, at 703-797-6600.

[1] The initial concept release on the CTP, MSRB Notice 2013-02 (January 17, 2013) (the "January 2013 Concept Release"), provides background information on the MSRB's initiative under the Long-Range Plan to develop the CTP. The MSRB sought input on the appropriate standard for "real-time" reporting and dissemination of transaction price and related information through the CTP, as well as on baseline technology, processing and data protocols for post-trade pricing information. Comments

received in response to that concept release may be viewed on the MSRB website and will be considered in conjunction with comments received on this and future concept releases related to implementation of the CTP.

[2] EMMA is a registered trademark of the MSRB.

[3] Comments are posted on the MSRB website without change. Personal identifying information such as name, address, telephone number, or email address will not be edited from submissions. Therefore, commenters should submit only information that they wish to make available publicly.

[4] Principles of Transaction Transparency, Securities Regulators of the Americas ("COSRA") (1993). Transaction transparency is distinct from concepts relating to dissemination of official statements, periodic financial information and other disclosure information about an issuer and its securities. Of course, transparency and disclosure are both important principles for a securities market, each serving to reduce information asymmetries, to promote efficient pricing and to foster investor confidence and liquidity.

[5] Transactions in securities without CUSIP numbers, in municipal fund securities, and certain inter-dealer securities movements not eligible for comparison through a clearing agency are the only transactions exempt from the reporting requirements of Rule G-14(b)(vi).

[6] In this respect, RTRS serves as an audit trail for municipal securities trading, with the exception of certain internalized movements of securities within dealers that currently are not required to be reported and the lack of reporting of customer identifications and other related specific items of information. Compare Consolidated Audit Trail, Exchange Act Release No. 34-67457 (July 18, 2012), 77 FR 45722 (August 1, 2012).

[7] For example, NYSE Bonds, the New York Stock Exchange's bond trading system, offers a centralized trading platform, which currently lists a limited number of municipal securities qualified to trade through such system. See <http://www.nyse.com/bonds/nysebonds/GeneralObligationBonds.html> and <http://www.nyse.com/bonds/nysebonds/RevenueBonds.html>.

[8] Government Accountability Office, Municipal Securities: Overview of Market Structure, Pricing, and Regulation, GAO-12-265, January 17, 2012.

[9] Securities and Exchange Commission, Report on the Municipal Securities Market, July 31, 2012.

[10] Some roundtable participants noted that education and guidance should accompany any public dissemination of pre-trade information to ensure that non-professionals are able to properly understand its meaning and how it might be used in assessing pricing. See <http://www.sec.gov/spotlight/fixed-income-markets.shtml>.

[11] See MSRB Rule G-12 Interpretive Letter, "Confirmation: Mailing of WAI confirmation," dated April 30, 1982.

[12] The MSRB previously proposed requiring dealers to indicate transactions that are based upon a conditional trading commitment to alert users of disseminated information that the trade date and time reflective of when the trade was executed may not be reflective of market conditions as of the date and time that the order was priced. See MSRB Notice 2006-10 (April 21, 2006); MSRB Notice 2007-10 (March 5, 2007). However, there was general agreement at the time that there would be several operational concerns with complying with such a requirement, most notably the lack of availability of the time of formal award, and such proposal was not adopted. Since then,

underwriters have become obligated under Rule G-34 to announce the time of formal award and time of first execution for new issues. In addition, the EMMA website now makes such information publicly available.

[13] The MSRB has filed with the SEC to require, among other things, that underwriters report to the MSRB through EMMA whether a retail order period was conducted for a new issue offering. See SR-MSRB-2013-05, Exchange Act Release No. 34-69834 (June 24, 2013), 78 FR 39038 (June 28, 2013).

[14] As noted above, comments on this topic received in response to the January 2013 Concept Release may be viewed on the MSRB website and will be considered in conjunction with comments received on this and future concept releases related to implementation of the CTP.

[15] In most cases, such initial offering scale is derived from data that underwriters are required to submit under Rule G-34 to the Depository Trust and Clearing Corporation's New Issue Information Dissemination Service ("NIIDS").

[16] For inter-dealer transactions, dealers report the dollar price at which the transaction was effected and the MSRB calculates and includes in disseminated information the corresponding yield.

[17] Such "away from market" trades are described in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions.

[18] While MSRB Rule G-43(b) sets out certain provisions for bid wanteds that broker's brokers may elect to follow, these provisions are not obligatory for broker's brokers and do not apply to other market participants conducting bid wanteds.

[19] Depending on the specific facts and circumstances, any such throw-away bid likely would constitute a violation of MSRB rules. See, e.g., Rule G-13(b); MSRB Rule G-43 Interpretive Notice, "Notice to Dealers that Use the Services of Broker's Brokers," dated December 22, 2012.

[20] For more information on the FIX messaging protocol, see <http://www.fixprotocol.org>.