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SIFMA Supports Increased Bond Market Price Transparency for Investors; Urges Greater Access to and Usage of Existing Data on FINRA and MSRB Systems.

New York, NY, January 20, 2015 -SIFMA, in a comment letter filed today with the Financial Industry Regulatory Authority and the Municipal Securities Rulemaking Board on their Matched Trade Proposals, expresses that it shares the goal of regulators to enhance bond market price transparency for retail investors. But because the enormous costs and burdens associated with the proposals would significantly outweigh the purported benefits, SIFMA recommends that the proposals be withdrawn in favor of a uniform rule that encourages increased usage of the extensive pricing data already available on the existing Trade Reporting and Compliance Engine ("TRACE") and Electronic Municipal Market Access ("EMMA") systems rather than the creation of something new.

"SIFMA fully supports increasing transparency in the municipal and corporate bond markets in a cost-effective manner that meets investor protection goals and promotes efficient functioning of the markets, which is important to investors' interests," said Randy Snook, executive vice president, business policies & practices at SIFMA. "We believe leveraging the existing FINRA and MSRB systems to inform investors is a better approach towards achieving this goal than what the proposals suggest."

SIFMA believes FINRA and the MSRB should promote TRACE and EMMA as the solution for increased transparency, using the power of the internet to reach the ever-increasing portion of retail investors who rely on it on a daily basis for communications and commerce of every sort. This is a more sensible approach than requiring the proposed matched trade disclosure on traditional paper confirmations.

Any new confirmation disclosure should be designed to encourage retail bond investors to access TRACE or EMMA and should coincide with renewed education efforts to help those investors better understand the information available on those systems. In contrast to the steep costs and uncertain benefits associated with the Proposals, enhancing retail investors' use of these existing systems - developed over the past two decades after considerable and ongoing investment - would constitute a more cost-effective use of limited resources and result in greater price transparency for investors.

Educational efforts to make investors more aware of the availability of information on the TRACE and EMMA systems could be made in connection with account opening documents, customer statements, or trade confirmations. This would provide greater information about bond prices and transactions. There are also greater opportunities for direct access to TRACE and EMMA by retail customers through their online brokerage account platforms, as well as retail investor education efforts more generally.

SIFMA raises the following points in its letter:

- The FINRA and MSRB Proposals must be uniform in design and terminology. Despite an effort to be uniform, the Proposals use different terms, phrases, and structure. In the context of the

Proposals, there is no policy justification for having divergent approaches or terminology.

- The cost-benefit analysis undertaken by FINRA and the MSRB is inadequate. Nothing in the Proposals suggests that FINRA or the MSRB has even begun to compile a record – as required under federal law and their own policies – that would either permit an informed analysis of the costs and benefits presented by the Proposals or allow an appropriate review by the SEC. Nor do the Proposals even purport to comply with federal laws governing new recordkeeping requirements or burdens on small businesses.
- The Proposals require a number of critical changes to minimize the risk of investor confusion and to mitigate the unnecessary implementation challenges if FINRA and the MSRB continue to pursue a new confirmation disclosure obligation with specific price references.
- The same day trade window would create confusing and misleading disclosure to investors by paring or matching trades in a manner that creates too much variability in what the price difference would represent.

Any confirmation disclosure obligation with specific price references should be better tailored to retail trades and investors by using defined terms to exclude institutional and other sophisticated investors and more appropriate quantity thresholds.

If FINRA and the MSRB continue to pursue a disclosure obligation with a specific price reference, SIFMA recommends more carefully tailoring the obligation to avoid investor confusion by limiting the proposed confirmation disclosure to riskless principal transactions involving retail customers and making additional changes to mitigate the excessive burdens and costs associated with the current formulation.

[The letter is available here.](#)