



June 12, 2013

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

Re: **MSRB Notice 2013-10 (March 11, 2013):  
Request for Comment on Proposed Sophisticated Municipal Market  
Professional Rules**

Dear Mr. Smith:

The Securities Industry and Financial Markets Association (“SIFMA”)<sup>1</sup> appreciates the opportunity to comment on the Municipal Securities Rulemaking Board’s (“MSRB”) Request for Comment on Proposed Sophisticated Municipal Market Professional (“SMMP”) Rules<sup>2</sup> (proposed Rule D-15 and proposed Rule G-48).

## **I. Executive Summary**

SIFMA continues to support the efforts by the MSRB to provide clarity to regulated entities by reorganizing or eliminating certain interpretive guidance associated with MSRB Rule G-17 into new or revised rules that highlight core principles. SIFMA concurs with the MSRB “that a new definitional rule, together with a general rule that describes the regulatory obligations of dealers working with SMMPs, will underscore the differences between dealers’ obligations to non-SMMPs and SMMPs, while highlighting the eligibility standards for being an SMMP.” Hopefully this will improve brokers, dealers, and municipal securities dealers’ ability to more easily identify SMMPs and their reduced obligations to this class of customers. As further discussed below, SIFMA believes that the MSRB rules listed within proposed Rule G-48 should reference a firm’s reduced obligations to SMMPs

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<sup>1</sup> SIFMA brings together the shared interests of hundreds of securities firms, banks and asset managers. SIFMA’s mission is to support a strong financial industry, investor opportunity, capital formation, job creation and economic growth, while building trust and confidence in the financial markets. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

<sup>2</sup> MSRB Notice 2013-10 (May 1, 2013) available at <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2013/2013-10.aspx?n=1> .

by cross referencing proposed rule G-48. Additionally, SIFMA believes that the following rule proposals should be implemented simultaneously with the same effective date due to their interdependencies: proposed Rules D-15, G-47, G-48, and the proposed revisions to Rule G-19.

## **II. Proposed Rule D-15: Sophisticated Municipal Market Professional**

Last year, SIFMA supported the MSRB's efforts to revise the 10 year old definition of SMMP so that it became harmonized, definitionally and operationally, with the treatment of institutional customers under FINRA's revised suitability rule, FINRA Rule 2111<sup>3</sup>. SIFMA continues to believe that a single definition of "institutional account" reduces compliance burdens. Additionally, the operational benefit of utilizing a single affirmation<sup>4</sup> to satisfy both FINRA 2111 and the SMMP requirements, soon to be a part of Rule D-15, eases customer confusion and reduces compliance burdens. If FINRA were to amend FINRA 2111(b) or FINRA 4512(c), we would expect the MSRB to once again harmonize its rulemaking on this topic.

SIFMA's members have brought to our attention one group of customers that may be experienced municipal market participants – yet do not fall within the current SMMP definition: hedge funds with assets under management of less than \$50 million. The MSRB and FINRA should consider expanding the definition of institutional account holders and SMMPs in future rule making to include this type of customer.

## **III. Proposed Rule G-48: Transactions with Sophisticated Municipal Market Professionals**

SIFMA continues to support the modifications of certain obligations that a broker, dealer, or municipal securities dealer has to its SMMP customers: time of trade disclosures, transaction pricing obligations for certain non-recommended secondary market agency transactions, customer-specific suitability analysis, and disseminating an SMMP's quotation. Listing these modifications within a self-contained rule clearly underscores the differences between dealers' obligations to non-SMMPs and SMMPs and should ease compliance with these requirements.

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<sup>3</sup> See letter to Mary M. Murphy, U.S. Securities and Exchange Commission, from David L. Cohen (May 4, 2012) available at <http://www.sifma.org/issues/item.aspx?id=8589938628> .

<sup>4</sup> See SIFMA Develops New Institutional Suitability Certificate to Facilitate Compliance with New FINRA Suitability Requirements (February 23, 2012) available at <http://www.sifma.org/news/news.aspx?id=8589937525> .

#### **IV. Cross Referencing Related Rules**

As noted above, proposed Rule G-48 references the other MSRB rules to which a dealer's obligations to SMMPs are modified. Similarly, we believe it is important for these rules (proposed Rule G-47, Rule G-19 (currently proposed for modifications), and Rule G-13) to specifically include a reference to the definition of and the modified obligations to SMMPs that exist under current MSRB interpretive guidance soon to be replaced by proposed Rules D-15 and G-48. Doing so will further the MSRB's objective in underscoring the differences between dealers' obligations to non-SMMPs and SMMPs.

#### **V. Synchronization of Effective Dates for the Proposal, Proposed Rule G-47, and Proposed Revisions to Rule G-19**

We commend the MSRB's recognition of the interdependencies of the proposed revisions to Rule G-19, proposed Rule G-47, proposed Rule G-48, and proposed Rule D-15 by intending to file each of these rule proposals with the SEC at the same time.<sup>5</sup> SIFMA respectfully requests that these three rule making proposals be implemented simultaneously with the same effective date.

#### **VI. Conclusion**

SIFMA sincerely appreciates this opportunity to comment upon the Proposal. SIFMA supports the proposed rule changes as detailed above and requests that proposed Rule G-47, Rule G-19 (currently proposed for modifications), and Rule G-13 cross reference proposed Rule D-15 and proposed Rule G-48. Additionally all of these proposals should have the same effective date.

Please do not hesitate to contact me with any questions at (212) 313-1265.

Sincerely yours,



David L. Cohen  
Managing Director  
Associate General Counsel

cc: ***Municipal Securities Rulemaking Board***  
Lynnette Kelly, Executive Director  
Ernesto Lanza, Deputy Executive Director  
Gary L. Goldsholle, General Counsel  
Lawrence P. Sandor, Deputy General Counsel – Regulatory Support

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<sup>5</sup> See MSRB Notice 2013-10.