



June 29, 2009

Margaret C. Henry  
Associate General Counsel  
Municipal Securities Rulemaking Board  
1900 Duke Street  
Suite 600  
Alexandria, VA 22314

Re: MSRB Notice 2009-20: Request for Comment Regarding Settlement of  
Syndicate Accounts Under Rule G-11 and Secondary Market Trading Accounts  
Under Rule G-12

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Dear Ms. Henry:

The Securities Industry and Financial Markets Association (“Association”)<sup>1</sup> appreciates this opportunity to respond to Notice 2009-20 issued by the Municipal Securities Rulemaking Board (“MSRB”) (the “Notice”) in which the MSRB requests comment on its proposed draft amendments to Rule G-11, on new issue syndicate practices, and Rule G-12, on uniform practice, which would accelerate the settlement of syndicate accounts and secondary market trading accounts and the payment of designations. SIFMA understands that the proposals are intended to reduce the exposure of the syndicate and secondary market trading account members to the potential deterioration in the credit of the syndicate or account manager, and applauds the MSRB for its efforts to address this issue. SIFMA supports the proposed change to Rule G-12, but wishes to express some concerns over the proposed changes to Rule G-11.

#### Proposed Amendments to Rule G-12

SIFMA supports the proposed change to Rule G-12 which would accelerate the requirement for final settlement of secondary market trading accounts from 60 calendar days to 30 calendar days following the date all securities have been delivered by the account manager to the account members. Secondary market trading accounts typically have no third-party expenses

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<sup>1</sup> The Association, or “SIFMA,” brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA’s mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public’s trust and confidence in the markets and the industry. SIFMA works to represent its members’ interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

that are charged to the account, so the account manager typically has certainty regarding the account's expenses. Therefore, SIFMA feels that shortening the final settlement date for secondary market trading accounts does reduce risk, and does not create undue burden on the account manager.

#### Proposed Amendments to Rule G-11

The first proposed amendment to Rule G-11 accelerates the requirement for final settlement of syndicate accounts from 60 calendar days following the date all securities have been delivered by the syndicate or account manager to the syndicate members to 30 calendar days following the date the issuer delivers the securities to the syndicate. Many SIFMA members expressed concerns over this proposed rule change. Broker dealers that engage in competitively underwritten transactions noted that, since they do not even start selling bonds until they win the competitive bid, it is not uncommon for syndicate accounts to have unsold bonds 30 calendar days after the issuer delivers the securities to the syndicate. The current market conditions and volatility create additional problems with clearing bonds out of a competitive syndicate. Broker dealers that underwrite negotiated transactions noted that, particularly in transactions involving new credits, structures, or products, all the syndicate's expenses may not be final within 30 calendar days after the issuer delivers the securities to the syndicate. Although many expenses can be estimated prior to first settlement, additional unexpected expenses can arise in conjunction with the closing of the transaction and delivery of the bonds by the issuer to the syndicate. Specifically, it is not uncommon for underwriters' counsel fees to increase to cover unexpected work outside the original fee estimate in transactions involving new credits, structures, and products. Final bills from underwriters' counsel may take many weeks to arrive, and the receipt of such bills are out of the direct control of the senior manager. This situation has occurred numerous times recently as new products such as Build America Bonds and newly-authorized tax credit bonds come to market. Also, taking into account weekends and possible holidays, 30 calendar days can be a mere 20 business days, which many members feel is an insufficient amount of time to finalize the expenses of the syndicate account. SIFMA members feel strongly that a syndicate should be settled only once with a final accounting of the profit or loss. Therefore, due to the potential for unsold bonds in competitive syndicates, uncertain expenses in complex negotiated syndicates, and potential holidays, SIFMA feels that accelerating the rule requirement for settlement of syndicate accounts to 30 calendar days after the issuer delivers the securities to the syndicate will be unduly burdensome to the industry, and will not flexible enough to account for current market conditions and developments.

Regarding payment of designations, the proposed rule change requires that all syndicate or similar account members shall submit the allocations of their designations according to the rules of the syndicate or similar account to the syndicate or account manager within two business days following the date the issuer delivers the securities to the syndicate. SIFMA members feel

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that this change is unwarranted and puts the co-managers under significantly tighter deadlines than the senior manager. SIFMA members feel that the manager should be responsible, outside of MSRB rules, for obtaining the allocations of their designations from the co-managers. Additionally, this proposal would be very burdensome in transactions with a short settlement period by the issuer.

The proposed amendments also accelerate the time for distribution of credit designated by a customer in connection with the purchase of securities due to a member of a syndicate account from 30 calendar days to 10 calendar days following the date the issuer delivers the securities to the syndicate. Many SIFMA members felt that the shortening of this timeframe would greatly increase the administrative demands on the broker dealers that serve as senior managers, with a minimal reduction in risk to the syndicate members. Many SIFMA members also felt that the timeframes for settlement of the syndicate account and the payment of designations should be the same. This harmonization of the two parts of the rule would result in a reduction in administrative costs for syndicate managers and compliance simplification.

#### Conclusion

We appreciate this opportunity to comment on these proposed rule changes. If you have any questions concerning these comments, or would like to discuss these comments further, please feel free to contact the undersigned at 212.313.1130 or via email at [lnorwood@sifma.org](mailto:lnorwood@sifma.org).

Respectfully,

A handwritten signature in black ink, appearing to be 'L. Norwood', written in a cursive style.

Leslie M. Norwood,  
Managing Director  
and Associate General Counsel

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cc: ***Securities Industry and Financial Markets Association***  
Municipal Executive Committee  
Municipal Policy Committee  
Municipal Legal Advisory Committee  
Municipal Syndicate & Trading Committee