



May 4, 2012

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: SR-MSRB-2012-05: Notice of Filing of a Proposed Rule Change Consisting of a Restatement of an Interpretive Notice Concerning the Application of MSRB Rule G-17 to Sophisticated Municipal Market Professionals (April 9, 2012)

Dear Ms. Murphy:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to comment on the Securities and Exchange Commission’s (“SEC”) request for comments on the proposed rule changes filed by the Municipal Securities Rulemaking Board (“MSRB”) consisting of a restatement of an Interpretive Notice concerning the application of MSRB Rule G-17 to Sophisticated Municipal Market Professionals (the “Proposal”).

I. Executive Summary

SIFMA commends the MSRB for proposing a revised and expanded definition of Sophisticated Municipal Market Professional (“SMMP”) as the quality and availability of information concerning municipal securities has greatly improved since 2002². SIFMA has long championed creating a class of sophisticated investors, such as SMMP investors, which has led to the development of online trading platforms and improved liquidity and transparency in the municipal market. Additionally, SIFMA agrees with the MSRB that having

¹ 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).

² Interpretive Notice Regarding the Application of MSRB Rules to Transactions with Sophisticated Municipal Market Professionals (April 30, 2002).

special rules for such a class of sophisticated investors is “desirable from the standpoint of reducing the cost of dealer compliance to maintain consistency with [Financial Industry Regulatory Authority] rules, absent clear reasons for treating transactions in municipal securities differently.”³ Accordingly, we fully support the MSRB’s proposal.

II. Revised Definition of SMMP

SIFMA supports the proposed revised definition of SMMP so that it is harmonized with FINRA’s revised suitability rule, FINRA Rule 2111, as it applies to institutional customers. Accordingly, dealers will be able to treat as an SMMP an institutional customer⁴ that: (1) the dealer has a reasonable basis to believe is capable of evaluating investment risks and market value independently, both in general and with regard to particular transactions in municipal securities, and (2) affirmatively attests that it is exercising independent judgment in evaluating the recommendations of the dealer. Individuals, corporations, partnerships and trusts with total assets of at least \$50 million may qualify to be an SMMP.

III. Harmonization with FINRA Rule 2111

SIFMA supports the revised definition of SMMP so that it is consistent with FINRA Rule 2111’s suitability obligations for institutional accounts. Further, we are pleased that the MSRB has clarified that there could be a harmonized compliance regime to allow an institutional customer to provide a single affirmation of their desire to exercise independent judgment in selecting investments to satisfy FINRA Rule 2111 for all products, including the MSRB’s requirements for SMMP status.

IV. Synchronization of Effective Date

To avoid confusion in the marketplace, with varying definitions and compliance regimes, SIFMA supports the MSRB’s request that the proposed rule

³ MSRB Notice 2011-63.

⁴ “Institutional customer” is defined as a customer with an institutional account (as defined under MSRB Rule G-8(a)(xi)). MSRB Rule G-8(a)(xi) defines “institutional account” as: “the account of (i) a bank, savings and loan association, insurance company, or registered investment company; (ii) an investment adviser registered either with the Commission under Section 203 of the Investment Advisers Act of 1940 or with a state securities commission (or any agency or office performing like functions); or (iii) any other entity (whether a natural person, corporation, partnership, trust, or otherwise) with total assets of at least \$50 million.”

change be made effective on July 9, 2012, which is the date on which FINRA Rule 2111 will become effective.

V. Conclusion

SIFMA sincerely appreciates this opportunity to comment upon the Proposal. SIFMA commends the MSRB for proposing a revised and expanded definition of SMMP and urges the SEC to swiftly move forward with its adoption.

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 and Chief Legal Officer

Peg Henry, General Counsel, Market Regulation