

Response to FINRA/MSRB request for comment on potentially moving to 1-minute trade reporting

Dear FINRA/MSRB,

Our firm has a small to mid-size municipal bond sales and trading operation. We work primarily with smaller institutional accounts. It is an important part of our business and is growing. Members of the team have been working in these markets for over 20 years. We fondly recall the days when the Blue List was slid under your front door each morning before 7am. The markets have indeed evolved, and we have generally been very supportive of most regulatory enhancements which have made the municipal market fairer and more transparent. We pride ourselves on operating in a transparent and ethical way. Rogue actors negatively impact everyone – from customers to dealers trying to run an honest business. We applaud all efforts to continue to identify and deal with unscrupulous business practices.

From our perspective, the potential benefits of a move to 1-minute trade reporting are not worth the problems it may likely cause for many dealers to fully comply with this requirement. Most of our activity in the municipal market is in the secondary-market odd-lot space... piece sizes of 500M or less. It is not at all unusual for many of the cusips we trade to only print trades a couple/few times per week. Seeing a trade print in 1 minute vs. 3, 5, or even 15 minutes does little if anything to improve trading transparency. Frankly, a few minutes here or there just simply isn't meaningful to price discovery. We have thought about this a lot and in practice, we just don't see how it is overly helpful. Even with cusips that trade more frequently – the muni market is not the Treasury market. It is not that volatile. Munis are not moving tick for tick by the second with Treasury bonds.

The problem we have with 1-minute reporting is that it simply leaves zero room for error. We often trade bonds with a dealer over the phone, and then we each have to input our tickets. There are multiple fields on the screen we have to key information into. What happens if there is a keystroke error, and you have to go back? What happens if your computer is running a little slow? What if another trader yells into your ear when you are half-way through booking a trade and it distracts you? What if our clearing firm reporting is delayed by a few seconds for this reason or that. We could go on and on, but I think we make our point. There is simply zero room for error. A cascading of just a few very common occurrences will likely cause late trades. We would now have to spend an inordinate amount of time cataloging and logging reasons for these late trades, etc. It would be very burdensome, for what in our view is very little in the way of benefit.

We have heard that firms like Bloomberg and other larger trading entities welcome the change. Call us cynical, but it is not hard to see why. Bloomberg offers a trading system that for a mere \$500,000 per year will straight-through process your trades. Larger electronic trading firms are always happy to see a

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dealer drop out of the market. It appears that is something regulatory authorities are not concerned with either judging by some of the comments made in this report. We know some of these firms and they are honest and hardworking folks trying to do the right thing by their clients, and we found the dismissive nature of these comments rather bothersome.

To summarize, we believe the costs and problems associated with 1-minute reporting are greater than the potential benefits. We believe time is better spent identifying and dealing with firms engaging in unfair or unlawful business practices vs. forcing more onerous conditions upon everyone else. We are perfectly happy with the 15 minute rule and would even be fine with that being reduced further. We understand moving to 5 minutes has little impact as most trades are already reporting in that timeframe. The trades that occur between 1 and 5 minutes are often with good reason, as we mentioned earlier. Even 2 or 3 minutes is much more doable vs. 1 minute. We hope you will consider our comments and position in this matter.

Thank you,