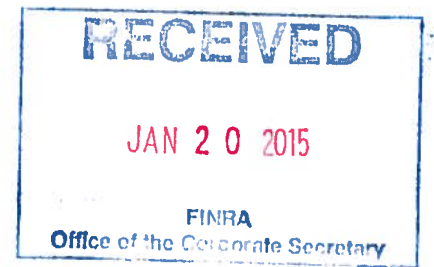




HILLIARD LYONS

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January 20, 2015

Ms. Marcia E. Asquith, Office of the Corporate Secretary
FINRA
1735 K Street, NW
Washington, DC 20006-1506

Mr. Ronald W. Smith, Corporate Secretary
MSRB
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: Response to the Requests for Comment from FINRA and the MSRB on Proposed Rules to Require Confirmation Disclosure of Pricing Information in Fixed Income Securities Transactions (Regulatory Notices 14-52 and 2014-20).

Dear Ms. Asquith and Mr. Smith:

Hilliard Lyons welcomes the opportunity to comment on the rule proposed by FINRA outlined in Regulatory Notice 14-52 and the MSRB outlined in Regulatory Notice 2014-20, proposing disclosure of price information on "Matched Trades" directly to customers on trade confirmations. We are a member firm of relatively small size, with 1,100 employees and approximately 400 registered representatives, which offers a unique perspective for commentary on the proposed changes. We feel very strongly that these proposals will unfairly burden small dealer firms with extremely costly revisions to fixed income trading and back office processing systems. Significant resources will be required to provide systems coding changes to both capture the suggested data comparisons and correctly communicate it on customer confirmations in real time.

Changes should be uniform in content and language across all firms. Although they will also face a burden implementing regulations of this nature, larger firms with greater IT resources will be in a position of tremendous advantage compared to small firms in this effort.

If you examine the impact of all the regulatory initiatives that have been implemented over the last year, clearly a proportionately greater burden has been placed on smaller/regional firms. This was not the intent of Dodd/Frank. Certainly the smaller firms did not precipitate the financial crises. The unexpected consequence of actions like the proposed rules is to stifle competition and lessen market liquidity.

Comments from several market regulators early in this process seemed to focus primarily on disclosure of markups for “riskless principal” trades. However, that appears to have morphed into any buy vs. sell trade comparisons under a certain par value that occur on the same CUSIP within a specified amount of time. Many proprietary positions of risk (long positions) have customer buy trades and additional firm purchase trades that follow within the same day that are unforeseen or anticipated at the original time of position purchase. Extremely high costs would be incurred by small firms to code back office systems for position accounting reporting, either at the time of trade or at the end of day to determine average cost.

To focus on “riskless principal” trades, none of this risk position accounting is necessary. Member firms should individually designate which “Matched Trades” represent actual “riskless principal” trades. We agree with SIFMA that institutional trades of any size should be exempt from the process. Retail purchases from the street with a customer order in hand would qualify, retail sells to the street with a customer order in hand would qualify, and crosses between retail customers with both sides executed together (within seconds or minutes) would qualify. None of the proprietary position examples would qualify, regardless of the trade time frame. Allow each firm to make those designations under specific regulatory guidelines, eliminating the need for computer search programs for reference trades.

We anticipate that you will shortly receive technical/operational analysis of the proposal that shows the extraordinary difficulty, in terms of time and cost, of implementing the proposals as currently drafted.

There is an alternative.

The MSRB EMMA website continues to provide the municipal market with increased transparency and has a growing audience with both member firm traders, underwriters, public finance personnel and sales people and, most importantly, municipal investors. Continued periodic enhancements could provide investors with even more detailed trade information on individual CUSIP numbers than we are discussing with the “Matched Trade” proposals. We have several suggestions as to how that information could be presented on EMMA to enhance the present disclosures:

- Color code individual trades from each dealer participating in a market for a specific CUSIP. That would greatly aid the investor in seeing how many different firms might be transacting in the market on one CUSIP. The customer could easily identify personal trades as well as any offsetting matched trades by that same dealer. At the same time, the customer could see other dealers’ prices distinguished by different colors to determine if others might be offering a more favorable price. The color coding could revert to standard black type after seven days (or another time frame) to evidence older trade data.
- If member firms are required to designate “Matched Trades”, a special type (italics) could be used on those two trades for instant recognition by the viewer.
- Offer a more interactive Price Discovery tool on the Trade Activity page to make it easier to compare trades on similar actively traded securities. Logic could be created to have direct links underneath the Price Discovery icon to Activity pages for specific comparable securities that meet at least 3 criteria: state, maturity, rating (either service), coupon, call features, or credit enhancement.

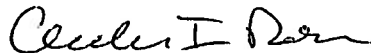
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We feel the MSRB EMMA website is just scratching the surface of possible price/yield comparison disclosures. An informational disclosure could be required for all municipal product confirmations referencing the MSRB EMMA website address. Member firms should provide additional education information about the EMMA features on both their internal and external websites. That information could be standard language developed by an industry panel or left to each firm individually. The marketplace should leverage this useful technology instead of requiring member firms to implement very costly trade detail disclosures on each customer confirmation.

Anecdotally, we are aware of a substantial increase in the use of EMMA by our retail clients. Our guess is that this level of usage is growing exponentially and will continue to do so. Prior to spending extraordinary amounts of money and time to develop a system that may not achieve your intended goals, it makes much more sense to study EMMA's effectiveness with retail investors and put resources into expanding its reach to those investors.

Hilliard Lyons appreciates the opportunity to provide our views on the rule proposal. We would welcome any opportunity to participate in further discussions with FINRA, MSRB, and other member firms about these proposals or other marketplace issues.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alexander I. Rorke".

Alexander I. Rorke
Senior Managing Director
Municipal Securities Group