

MEMO# 26286

July 10, 2012

ICI Comment Letter on MSRB's Proposal to Eliminate Large Trade Size Masking on Price Transparency Reports

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TO: MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 28-12 RE: ICI COMMENT LETTER ON MSRB'S PROPOSAL TO ELIMINATE LARGE TRADE SIZE MASKING ON PRICE TRANSPARENCY REPORTS

As you know, the Municipal Securities Rulemaking Board has published a request for comment on a proposal to provide for more rapid public dissemination of trade size information for large municipal securities transactions through the MSRB Real-Time Transaction Reporting System ("RTRS"), and published on the MSRB's Electronic Municipal Market Access ("EMMA®") website on a real-time basis. [*](#) ICI filed a comment letter, which is attached and briefly summarized below.

Currently, transaction information disseminated from RTRS and published on the EMMA website on a real-time basis includes the par value on all transactions with a value of \$1 million or less but uses an indicator of "1MM+" in place of the par value on transactions where the value is greater than \$1 million. Five business days after the trade, RTRS disseminates and the EMMA website reveals the exact par value of the trade.

According to the MSRB, the five-day delay was intended to address concerns raised by some industry participants during the implementation of RTRS that revealing the exact value of large trades on a real-time basis would allow dealers to identify the dealer and institutional investors involved in the trade, information that could be used to trade against the dealer's position and reduce the incentive for a dealer to take large positions in these circumstances. According to the Release, the MSRB has grown concerned that some market participants may be disadvantaged by the delay in access to the exact size of large trades because some institutional investors may have earlier access to this information through their relationships with dealers. As a result, the MSRB proposes to discontinue the practice of masking the exact par value on transactions of \$1 million or more and including the exact par value on all transactions disseminated in real-time from RTRS.

The letter supports efforts by the MSRB to improve the price transparency of the municipal

securities market for all market participants, but notes ICI's concern that the proposal could adversely impact market liquidity, especially for certain infrequently traded issues.

As an alternative to the MSRB's proposal, the letter recommends that the MSRB consider a more gradual change in the price transparency of large trade size transactions. For example, rather than completely discontinuing the practice of delaying the dissemination of the price of large size transactions, the letter suggests that the MSRB should consider phasing in the changes over a period of time through gradual reductions in the timeframes for such delays and/or increases in the par value of trades subject to delayed disseminations. The letter explains that this approach would help protect the identities of dealers who take large positions in these securities (and therefore help preserve dealers' willingness to provide liquidity), while at the same time enhancing the price transparency of the municipal securities market. It also would give the MSRB time to evaluate any effects on market liquidity and then make any necessary adjustments as appropriate.

Jane G. Heinrichs
Senior Associate Counsel

[Attachment](#)

endnotes

* Request for Comment on Elimination of Large Trade Size Masking on Price Transparency Reports, MSRB Notice 2012-29 (June 1, 2012), available at <http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2012/2012-29.aspx>.

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