

MEMO# 14083

October 24, 2001

ICI COMMENT LETTER ON MSRB'S DRAFT INTERPRETIVE GUIDANCE REGARDING "SOPHISTICATED MUNICIPAL MARKET PROFESSIONALS"

[14083] October 24, 2001 TO: FIXED-INCOME ADVISORY COMMITTEE No. 16-01 RE: ICI COMMENT LETTER ON MSRB'S DRAFT INTERPRETIVE GUIDANCE REGARDING "SOPHISTICATED MUNICIPAL MARKET PROFESSIONALS" The Institute has submitted the attached comment letter to the Municipal Securities Rulemaking Board regarding its revised notice and draft interpretive guidance on the responsibilities of brokers, dealers and municipal securities dealers under MSRB Rule G-17 (disclosure of material facts), and the application of MSRB rules to transactions with sophisticated municipal market professionals (or "SMMPs").¹ The Institute's letter supports the Revised Draft Guidance but recommends that the SMMP concept be narrowly interpreted to ensure that all investors have timely access to material information to enable an informed investment decision. The letter also recommends that the SMMP concept be restricted to electronic trading platforms. The letter explains that there has been no demonstrated need to expand the SMMP concept to non-electronic trading, nor any justification for diluting dealer responsibilities in traditional trading transactions. The Institute's letter further recommends that the SMMP safe harbor be modified to exclude dealers who effect transactions in private placement securities and securities exempt from the disclosure requirements of Rule 15c2-12 under the Securities Exchange Act of 1934. The letter explains that because updated information on these securities is not required, it would be illogical and potentially harmful to investors to permit them to be traded on an electronic platform, where it is presumed that the securities being traded are subject to continuing disclosure obligations. Finally, the Institute's letter recommends that the MSRB reiterate in its final guidance that the SMMP concept does not in any way diminish a dealer's affirmative disclosure obligations under Rule G-17. The letter explains that such a reminder would reinforce the importance of full and fair disclosure in municipal securities transactions. Barry E. Simmons Associate Counsel Attachment (in .pdf format) 1 See Memorandum to Fixed-Income Advisory Committee No. 11-01, dated July 23, 2001.