

Ms. Asquith:

Thank you for the opportunity to comment on proposed required confirmation disclosures contained in Notice 15-36. The new proposal is a substantial improvement over that originally published in Notice 14-52. The removal of the size requirement, exempting most new issues and requiring a TRACE link all improved the functionality of the proposal. However, in order to limit a potential unintended consequence of the proposal, FINRA should adopt the MSRB time threshold of two hours.

The proposed required confirmation disclosures are part of a concerted effort on the part of regulators to improve the market efficiency obtained by retail investors. It is believed that by requiring a dealer to disclose "mark-up" or whatever one chooses to call the profit the dealer makes on the transaction and by referencing the source of available pricing data, a retail purchaser will be more likely to act rationally and choose to trade with dealers who work for less spread. (Disregard for the moment the reality that many clients buy bonds on yield, not price.) The problem is that many retail clients trade with only one broker and will follow the instructions of that broker, particularly when it comes to fixed income product. These clients are also the ones most likely to disregard the "mark-up" information. Furthermore, there will be broker dealers that simply refuse to sell fixed income inventory to retail clients until the required mark-up disclosure period has ended, thus preventing retail access to the most advantageously priced offerings. This is most likely to occur in very large firms with complex business models and where retail clients are less likely to analyze competing bond offerings. Consequently, it would be most advantageous to retail investors if the disclosure period were shortened, otherwise almost every offering many clients see will be stale. Additionally, this would reduce the anti-competitive aspect of the proposal.

Ideally, it would be understood that clients buy bonds based upon yield and the profit earned by the dealer should be irrelevant. Unfortunately, many bond investors are not selecting bonds based upon an analysis of what is available in the market and it is understandable that regulators would want to provide these investors with additional protection. FINRA will best accomplish its goal by adopting the two hour period chosen by the MSRB.

Thank you again for the opportunity to comment.

Chris Melton
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