

Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street NE
Washington DC 20549

July 15, 2020

In regard to File Number SR-MSRB-2020-04

Dear Ms. Countryman,

The Bond Dealers of America offers its comments on SEC Release No. 34-89092, "Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of a Proposed Rule Change Consisting of Amendments to MSRB Rules A-3 and A-6 that are Designed to Improve Board Governance" (The "Proposal") (File Number SR-MSRB-2020-04). BDA is the only DC-based group exclusively representing the interests of securities dealers and banks focused on the US fixed income markets. We oppose the MSRB's Proposal and we urge the Commission to reject the initiative.

The Proposal would amend MSRB governance rules related to the composition and selection of directors. The two most troubling elements of the Proposal before the Commission are to amend the independence standard for public members of the Board to require five years separation from a regulated company and to require that at least two directors be representatives of Municipal Advisors. In both cases, the MSRB received two comment letters in favor of the proposals and five opposed. We recognize that the comment process is not a vote, but to proceed forward on these two provisions in light of overwhelming stakeholder opposition is inappropriate.

As we stated in our April 29 letter to the MSRB, "five years away from the industry and the market is too long for a Board member to be effective." Markets, products and regulations evolve quickly. Moreover, the MSRB has provided no evidence that the current two-year required separation has created any conflicts or even the perception of conflicts. As the MSRB itself states in the Proposal, "the Board continues to believe, as it stated in the RFC, that the Board's public representatives have acted with the independence required by the Exchange Act." The MSRB also said it disagrees with commenters "who suggested that the independence of the Board's public representatives has, in fact, been compromised."

The independence of public board members is not compromised by the current requirement in rule that public members be separated for at least two years. The MSRB has offered no evidence that it is. Accordingly, the only effect of a five-year separation condition would be to prevent numerous highly qualified and knowledgeable individuals from serving on the Board.

On the requirement that at least two directors be representatives of Municipal Advisors, the MSRB has again not offered a compelling reason for the provision. As we stated in our comment letter to the MSRB, "Rule A-3 should allow the Board flexibility to recruit industry representatives with the appropriate expertise to address the issues pending at the time, whether they are dealers or MAs." Mandating in rule the statutory minimum of one MA director would provide maximum flexibility for

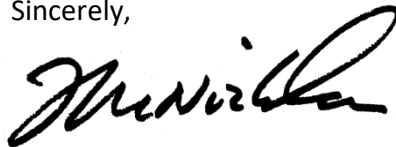
the Board to include as many or as few MA representatives as necessary based on the anticipated agenda.

The Proposal does not address the issue that under the proposed new Rule A-3, while nearly 30 percent of regulated members of the Board will be municipal advisors, non dealer MAs contribute less than 10 percent of the MSRB's revenue derived from industry assessments. We call on the MSRB to set the ratio of board seats between dealers and MAs based on each constituency's relative financial contribution to the organization, subject to statutory requirements. This is the best approach in terms of fairness and burden sharing.

We are pleased that the MSRB decided to drop a provision in the Proposal that would have permitted MAs who are affiliated with broker dealers who do not underwrite municipal securities to fill director seats reserved for non-dealer MAs. This was a misguided initiative that appeared to benefit a very small number of MAs. If dealer MAs are eligible for reserved MA seats on the Board, there should be no distinction between whether the affiliated dealer underwrites municipal securities. There is no good reason why a representative of a dually registered Municipal Advisor/broker dealer should necessarily occupy a dealer seat and not a MA seat.

The two centerpiece provisions in the Proposal—lengthening the time away from the industry for independent MAs and mandating two MA seats on the Board—drew the opposition of a large majority of stakeholders. Neither of these proposals would strengthen Board governance, and the MSRB provided little justification for their adoption. For these reasons, we urge the Commission to disapprove the Proposal unless it is amended to address these major flaws.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Nicholas". The signature is fluid and cursive, with a large initial "M" and "N".

Mike Nicholas
Chief Executive Officer
Bond Dealers of America