

April 1, 2011

Marcia E. Asquith
Senior Vice President and Secretary
FINRA
1735 K Street, NW
Washington DC 20006-1500

Re: FINRA Notice to Members 11-11
FINRA Concept Proposal to Identify and Manage Conflicts Involving Debt Research

Dear Ms. Asquith:

MCD Consulting ("MCD" or "the firm") appreciates the opportunity to comment on the concept proposal to identify and manage conflicts involving the preparation and distribution of debt research reports. We have reviewed the concept proposal and wish to comment on two (2) key areas, which are listed below.

- **Definition of a "debt security"**- MCD notes that "municipal security" is not included in the definition of a "debt security". Although "municipal security" is already defined in federal securities laws, we urge FINRA to include municipal securities (in conjunction with the MSRB) in any future rules regarding debt research.

Given the dire fiscal condition of many states, cities and municipalities, there is a high probability that an increased number of municipal defaults will occur in the next 12-24 months. Many analysts, such as Meredith Whitney, believe that municipal defaults will rise to unprecedented levels. Additionally, FINRA's 2011 Annual Examination Priorities Letter specifically stated that firms must not rely solely on a municipal security's credit rating when making recommendations to customers. Finally, conflicts of interest (and the ensuing scandals) tend to be extremely harmful when municipal organizations and elected officials are involved. Current regulation affirms this fact (e.g. the SEC's new Investment Adviser "Pay to Play" rules and current MSRB rules).

Given these factors, MCD urges FINRA to work with the MSRB to incorporate equivalent rules so that research regarding municipal securities is subject to the same regulation as equity and other fixed income securities. MCD understands that the MSRB addressed research in its 2010 Annual Review. However, conflicts of interest were not emphasized.

Timely, unbiased research regarding municipal securities could save retail investors billions of dollars in the event of state budget crises and the ensuing municipal bond defaults. This proposed concept would ensure the existence of this research if it were to apply to municipal securities.

- **Opt-In/Out Provision**- MCD applauds the concept of exempting institutional debt research from most of the proposed safeguards and disclosures. MCD hopes that FINRA gives firms the opportunity to claim a permanent opt-in/out from retail research provisions. Many smaller firms engage only in fixed income research designed for institutional investors. This permanent opt-in/out would allow smaller firms to keep their costs low by striking a clear delineation between retail and institutional research activity.

MCD also believes that it is crucial that the opt-in/out process be as simple and clear as possible. This process has the potential to cause confusion (in both compliance departments and sales and trading departments) that would lead to retail investors receiving research that does not include all proposed disclosures and safeguards.

In summary, MCD Consulting appreciates the opportunity to comment on this issue. MCD believes that the proposed concept is an important first step in developing a process to identify and manage conflicts of interest related to debt research reports. MCD would welcome the opportunity to discuss this issue in further detail with FINRA.

Sincerely,



Matt C. Dwyer

President

MCD Consulting

815.295.3994

mdwyer@mcd-consulting.com

www.mcd-consulting.com