



John J. Brennan  
Chairman and Chief Executive Officer

September 9, 2003

Harold L. Johnson, Deputy General Counsel  
Municipal Securities Rulemaking Board  
1900 Duke Street  
Alexandria, VA 22314

Re: MRSB Notice 2003-23

Dear Mr. Johnson,

The Vanguard Group<sup>1</sup> appreciates the opportunity to comment on the Municipal Securities Rulemaking Board's (MSRB) implementation of a "Real-Time Transaction Reporting System" or "RTRS." Once the RTRS is operational, MSRB Rule G-14 will require dealers to submit transaction data to it within 15 minutes of the time of trade.

We strongly support the MSRB's goals of:

- 1) Providing the municipal securities market with real-time transaction price transparency and
- 2) Coordinating the RTRS with the "Real-Time Trade Matching" system or "RTTM" implemented by the National Securities Clearing Corporation (NSCC).

We believe that these goals should apply for all transactions—those involving actively traded securities and, especially, inactively traded ones. The process of increasing municipal market price transparency and comparability to other over-the-counter fixed income markets can only serve investor confidence in the municipal market.

We recognize that some municipal market participants may not support the MSRB in its desire to increase pricing transparency, especially for inactively traded securities (which often are of lower quality). They would argue that the market liquidity of these issues would decrease as dealers become concerned about competitors knowing the approximate price of their newly acquired positions. We disagree. Any short-term dislocations would be inconsequential compared to the long-term benefits offered by the MSRB's proposal. The interests of the

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<sup>1</sup> The Vanguard Group, Inc. (Vanguard), headquartered in Valley Forge, Pennsylvania, is the nation's second largest mutual fund company. Vanguard offers 20 municipal bond funds and manages more than \$66 billion in municipal bond assets

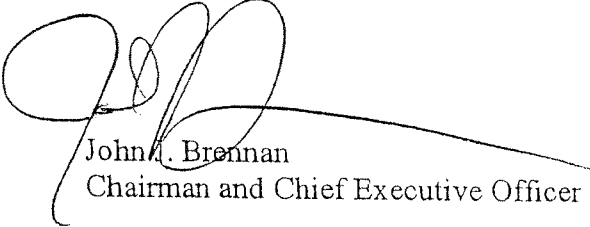
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millions of mutual fund shareholders and individual bondholders, who collectively own hundreds of billions of dollars in municipal bond assets, are surely best served with the highest degree of price transparency.

We understand that not all dealers are currently technically capable of achieving the MSRB's goals by the proposed implementation date of mid-2004. In that case, some interim steps may be needed before compliance can be mandated. If compromise is called for, the one compromise that we would strongly oppose is the exclusion of inactively traded securities from the reporting regime.

In closing, we would like to thank the MSRB again for this opportunity to comment on the proposed changes to Rule G-14. We're confident that as a result of increased price transparency, the municipal bond market will continue to be a robust and effective source of capital and the interests of municipal bond investors will be well served.

Sincerely,



John J. Brennan  
Chairman and Chief Executive Officer

JJB/val