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MSRB to Consolidate Key Fair-Dealing Obligations for Municipal Securities Dealers.

Alexandria, VA – The Municipal Securities Rulemaking Board (MSRB) has received approval from the Securities and Exchange Commission (SEC) to consolidate extensive interpretive guidance on the fair-practice obligations of municipal securities dealers into three new rules and amendments to an existing rule. The MSRB will establish rules focused on time-of-trade disclosures to investors, dealers' dealings with sophisticated municipal market professionals and suitability of dealers' recommendations of municipal securities transactions.

"As part of the MSRB's ongoing efforts to enhance regulatory efficiency, the MSRB examined the many interpretations that have been issued primarily under MSRB Rule G-17, its central fair dealing rule, and identified opportunities to better facilitate compliance," said MSRB Executive Director Lynnette Kelly. "Creating stand-alone rules on key principles of fair dealing serves to highlight their importance and ensure that dealers understand and comply with these obligations."

The MSRB will codify into a new MSRB Rule G-47 the existing requirement under Rule G-17 that municipal securities dealers disclose material information to customers, at or prior to the time of the municipal securities trade. The new time-of-trade disclosure rule does not substantively change the current obligations, but rather seeks to aid dealers and other market participants in understanding, complying with and enforcing these obligations.

The MSRB also will establish two new rules to consolidate guidance for municipal securities dealers who deal with experienced investors called sophisticated municipal market professionals (SMMPs). MSRB Rule D-15 defines an SMMP and Rule G-48 provides the regulatory obligations of dealers to SMMPs, underscoring the differences in dealers' obligations to the more sophisticated professionals in the market.

Additionally, the MSRB revised MSRB Rule G-19 on suitability to more closely align with the Financial Industry Regulatory Authority's (FINRA) suitability provisions and consolidate existing MSRB interpretive guidance on the subject. The revised rule makes clear the specific factors that dealers must consider when recommending a transaction or investment strategy to municipal securities investors.

The new and revised rules will take effect July 5, 2014. Related interpretive guidance on these principles will be removed from the MSRB's Rule Book, but will be archived and available for review on the MSRB's website here.

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