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MSRB Extends Deadline for Markup Rule Comments.

WASHINGTON – The Municipal Securities Rulemaking Board is extending the date for comments on its recently proposed markup disclosure rule while an industry group wants the board to delay the implementation deadline for its best execution rule.

The deadline for comments on the markup rule will be pushed back to Dec. 11 from Nov. 20 to align with the Financial Industry Regulatory Authority date for comments on its similar rule for corporate bonds.

"The extended comment deadline is intended to give commenters sufficient time to evaluate both proposals and provide more meaningful comment to both the MSRB and FINRA," the MSRB said in its regulatory notice.

Both the MSRB and FINRA had previously proposed rules that would require dealers to disclose a "reference price" of the same security traded on the same day. The MSRB proposed the reference price rule in changes to its Rule G-15 on confirmation. It is now pursuing the markup disclosure rule instead, although it has included revisions to the reference price rule as another option for commenters. FINRA has only revised its reference price rule in response to comments.

The MSRB's markup rule would require a dealer buying or selling bonds for its own account to disclose the markup or markdown on a customer's confirmation when: it executes a transaction on the same side of the market as the customer; the transaction is greater than or equal to the size of the customer's and; the dealer transaction occurs within a two-hour window on either side of the customer transaction. The MSRB would limit the disclosures to secondary market trades.

The Securities Industry and Financial Markets Association and a number of other industry groups have said they plan to submit comments on the proposal.

Meanwhile, SIFMA said recently it might be unrealistic to allow only four months after guidance is released for implementation of changes to the MSRB's Rule G-18.

Leslie Norwood, associate general counsel and co-head of municipal securities for SIFMA, said in a comment letter filed with the Securities and Exchange Commission that if the guidance calls for broker-dealers to change any automated processes or systems, there would have to be a lead time of six months, and preferably one year.

The extended period of time would allow the dealers to build the system changes, test them, train appropriate staff, and develop appropriate compliance procedures, according to Norwood.

It also would accommodate many firms that have an operational system "lockdown" period that typically extends from mid-December to mid-January, during which time no operational changes can be made.

Budgeting for the changes and having additional time to change a third-party vendor system that may be handling the collection of sophisticated muni market professional certificates would also

benefit from a timeline longer than four months, Norwood said.

The best ex rule requires dealers to use “reasonable diligence” to determine the best market for a security and to then buy or sell the security in that market so the price for the customer “is as favorable as possible under prevailing market conditions.” The SEC called for the adoption of such a rule in in its 2012 Report on the Municipal Securities Market.

Dealers would have to take into account a list of factors to meet the diligence requirement under the rule, including: the character of the market for the security; the size and type of transaction; the number of markets checked; the information reviewed to determine the current market for the subject security or similar securities; the accessibility of quotations; and the terms and conditions of the customer’s inquiry or order.

The MSRB filed the rule with the SEC in August 2014 and the commission approved it later that year on Dec. 8. The effective date for the rule was to be Dec. 8, 2015, but the need to coordinate with the SEC and FINRA caused the MSRB’s guidance on the rule to take longer than expected.

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