

# **Bond Case Briefs**

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## **SEC Allows MSRB to Provide Three-Year Old Trade Data to Academics.**

WASHINGTON - The Securities and Exchange Commission has approved proposed rule changes from the Municipal Securities Rulemaking Board that would authorize the board to provide three-year old trade data for academic studies that would identify dealers in some way without naming them.

The SEC is still soliciting comments on an amendment filed by the MSRB that would make clear that the new data product would not include information about list offering prices and takedown transactions. However, the commission said in its approval order that it found the amendment to be consistent with the purpose of the proposed rule change and that there is good cause for approving the proposed rule change with the amendment on an accelerated basis.

"By enhancing transparency in the municipal securities market, the proposed rule change is reasonably designed to protect investors, municipal entities, obligated persons, and the public interest," the SEC said in its order.

Lynnette Kelly, the MSRB's executive director, said the MSRB has taken measures to make the data "as rich as possible for researchers while guarding against the potential for reverse engineering to identify the dealers in a particular transaction."

"By continuing to increase the availability and usefulness of data for academics, the MSRB hopes to encourage researchers to consider more sophisticated questions and conduct further studies of market behavior," Kelly said.

The MSRB said in its filing with the SEC that it would publish the effective date for the rule change within 90 days of the date of the SEC order and that the effective date will be no later than 270 days after the commission's approval.

The approved changes to create the product will be made to MSRB Rule G-14 on reports of sales and purchases, which requires dealers to report municipal security trade information to the MSRB's Real-Time Transaction Reporting System within 15 minutes of the time of trade. The MSRB already makes much of that reported data publicly available through its EMMA system as well as through subscription services or historical data sets.

However, none of the data currently available includes information about the identity of the dealers, something that limits a researcher's ability to fully understand secondary market trading practices, according to the MSRB. The self-regulator said the new data is the result of requests from certain academics for an enhanced version of RTRS trade data that includes dealer identifiers.

Academics showed their support for the new product in comment letters sent to the MSRB after the self-regulator first announced the idea in July 2015. However, Bond Dealers of America and the Securities Industry and Financial Markets Association said they were concerned that the identifiers would open their members up to harmful reverse engineering.

The MSRB responded to those concerns by strengthening the conditions that would apply to academics who use the product. Any academic institution that wants to access to the data product will have to agree: not to attempt to reverse engineer the identity of any dealer; not to redistribute the data in the product; to disclose each intended use of the data; to ensure that any data presented in work product be sufficiently aggregated to prevent reverse engineering of any dealer or transaction; and to return or destroy the data if the agreement is terminated.

The data will also only be available to academics associated with institutions of higher education and will have to be at least three years old. The MSRB originally planned to require the data be at least two years old.

SIFMA, in its comment letter to the SEC on the proposed product, generally approved of the MSRB's changes to further protect against reverse engineering but had recommended the MSRB require the data to be at least four years old.

Leslie Norwood, SIFMA managing director and co-head of municipal securities, said SIFMA generally supports the changes and is pleased with the MSRB's amendment but is disappointed that many of the group's concerns "were largely dismissed in the adoption of the rule changes."

"We also do not believe that the suggested limitations in the user agreement are sufficient to prevent potential misuse of the data," Norwood said.

BDA said in its comment letter to the commission that "it is still very likely that, as a consequence of this proposal, private and non-educational entities will end up possessing full trade history including dealer names for every trade released."

John Vahey, director of federal policy for BDA, said BDA appreciates the MSRB's efforts to amend the rule to reflect BDA's concerns and urges regulators to be vigilant in protecting the integrity of the marketplace in the future.

## **The Bond Buyer**

By Jack Casey

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