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## **Woodell Hopes to Start New Initiatives During Tenure as MSRB Chair.**

WASHINGTON – As the new chair of the Municipal Securities Rulemaking Board on Oct. 1, Colleen Woodell hopes the board will begin new initiatives on syndicate practices and pre-trade price transparency during her one-year term.

She plans to use the knowledge she has gained over her career to contribute to the market on a much broader basis.

“I really wanted to give back,” Woodell said of the impetus for her decision to take the position leading the board, which will also continue work on major rulemakings like markup disclosure.

Woodell discussed the issues pending before the MSRB and her career during an interview with The Bond Buyer.

The former chief credit officer of global corporate and government ratings at S&P Global Ratings, she is in her fourth year on the board. Her tenure is longer than usual after colleagues voted to give her a one-year extension as part of the MSRB’s plan to have members ultimately serve four-year terms.

She replaces Nat Singer, senior managing director at Swap Financial Group, as chair, whom she served under as vice chair this past year.

Woodell said she views her role leading the 21-member, majority public board as a facilitator “making sure that everybody is heard and that we get the knowledge in the room that we need.”

She added that although she sees 21 members as being “a lot,” she thinks “it is a good number because it gives enough of a broad scope that it gets [the MSRB] where [it needs] to be.”

As the MSRB continues to explore new rulemakings and necessary steps over the next year, Woodell said she will be cognizant of market feedback about pressures its participants have faced from recent regulations. However, she noted that “if we know that there’s a need to do something, as a regulator, we need to do it.”

“We know there’s been a lot to absorb over the last couple of years and we’re sympathetic to that,” she said. “The costs are significant, the people impact is significant, but we still need to make sure that we are meeting our mission.”

It is also important to her to make sure that new board members, who sometimes come on thinking their time will be spent solely on rulemaking, are aware that there is much more the MSRB does apart from crafting regulations.

Given the larger rulemaking initiatives that have either been finalized or appear closer to being finalized, like municipal advisor rules and markup disclosure, she thinks the market will have had a

chance to get adjusted “before the next big things come.”

The MSRB’s markup disclosure rule, which is accompanied by guidance on how dealers would use a “waterfall” of factors to determine prevailing market price, has already been filed with the Securities and Exchange Commission. It would require a dealer, which buys or sells munis for or from its own account to a retail customer and engages in one or more offsetting transactions on the same trading day in the same security, to disclose its markup or markdown in the confirmation it sends the customer.

Comments on the proposed rule are supposed to be sent to the SEC by Oct. 4. Although dealers have been concerned about how to demonstrate compliance with the rule, Woodell said the board thinks “that what it filed is getting the market where it needs to be.”

“Hopefully it will be done during my term, but you never know,” Woodell said about the proposal. MSRB Rule G-42 on core duties of MAs went through three rounds of comments from the SEC. “Hopefully this won’t go that many, but it’s always possible,” she added. The next step for the MSRB will be to respond to the comments.

The MSRB will also continue with several other initiatives, like a newly proposed rule on certain exceptions that would allow dealers to trade in amounts below a security’s minimum denomination.

#### New Initiatives

Woodell said she also intends to set in motion several multi-year initiatives related to past comments and data the MSRB has received.

“We put a request for comment out on the entire [MSRB] rulebook a couple years ago and that raised a few questions, along with enforcement cases about syndicate practices,” Woodell said. “We need to start the conversation on those.”

The focus on syndicate practices relates to an August 2015 SEC case against Edward Jones, where the firm, which was part of a syndicate, settled charges that, instead of selling new bonds to customers at the initial offering price as required, it took bonds into its own inventory and then improperly sold them to customers at higher prices. In some cases, the firm failed entirely to underwrite and offer the new bonds to investors until secondary market trading began.

Woodell said the board may consider some rule changes that take into account the enforcement actions, developments in Internal Revenue Service price determination requirements, and other feedback or information it gets from the market.

“The first thing we need to look at is whether it is a bona-fide order,” Woodell said, referring to whether the orders that dealers submit are actual orders instead of a firm just saying it wants bonds to then either flip or do something else with them.

Woodell also intends to start the conversation on pre-trade price transparency this year, something that will be at least the same magnitude of an undertaking as markup disclosure or the initial municipal advisor rules from the board, she said.

The MSRB has already circulated a few concept releases on the topic and is currently analyzing the comments it received. Pre-trade is amorphous but refers to data that can help with pricing determinations before a muni is traded. It can include voluntarily submitted information from alternative trading systems and external yield curves.

According to Lynnette Kelly, the MSRB's executive director, the goal for the board will be to figure out what types of pre-trade information would be the most valuable.

The board also plans to work with the Financial Industry Regulatory Authority on steps involving pre-trade price transparency information, adding an extra level of necessary coordination to the process.

Woodell said the board will separately circulate a request for comment before it holds a formal strategic planning session to look at the longer-term goals for the board. The MSRB holds such a planning session every two years and incorporates the market comments along with input from the board.

Over the next five to ten years, Woodell said she would expect that the market would continue to absorb larger MSRB rulemaking like rules on syndicates, while also seeing a rise in electronic platforms.

Tangentially related to the MSRB, she said the muni market will be affected by the country's infrastructure needs and pension issues. Both presidential candidates have talked about the need for increased spending on infrastructure and the elections will also likely bring about larger changes to Congress and the SEC, she said.

"I think the infrastructure and ... pensions are huge. They're not going away," Woodell said. "You're not going to wake up tomorrow and say 'that's gone.'"

## **EMMA**

As is normal with the MSRB, the next year is also expected to bring several changes and improvements to the board's EMMA system, according to Woodell.

"EMMA is a big transparency platform," she said. "We'll continue to think about what needs to be done with it and take feedback from everybody to see what could be better."

To that end, the board will be facilitating focus groups with different types of EMMA users, including investors and issuers. It will also consider adding things like third-party yield curves and a new issue calendar to the platform.

Kelly, who described the focus groups as "a year-long initiative," said they will help to answer questions like whether the interface should look different depending on what type of user is accessing it and how the platform could best be leveraged to empower different users.

The board recently announced improvements to EMMA to make it easier for issuers to disclose bank loans. The changes were spurred by issuer complaints that the system was confusing and misleading.

"Every time we do anything, almost every day here, someone talks about market transparency and fair and efficient markets," Woodell said. "Transparency is obviously key to fair and efficient markets."

In addition to EMMA, the board will follow developments related to the first MA qualification exam, which was released on Sept. 12 for a year. MAs that didn't pass the pilot exam will have to take and pass the qualification exam. The board also will give a \$5.5 million proportional rebate to dealers and will continue to monitor its finances to be "very sensitive" to the fiscal responsibility that it has to the muni business to not charge too much, Woodell said.

Some market participants question whether the MA qualification exam will cause advisors to retire early or otherwise leave “It would be disconcerting to me if it did because a basic qualification exam feels like something someone who is practicing as an MA should be able to pass,” Woodell said.

“I’m sure some of the market participants feel some level of angst surrounding the idea of a test,” she added. “But if you’re going to be in the market and if you’re going to be advising people, you have a fiduciary duty [and] you better know what you are doing.”

## **Background**

Woodell says that her career in munis started with “a lucky break” after she graduated from Wells College in Aurora, N.Y. as an economics major. She went to the yellow pages and sent out “a bunch of resumes to places I found,” one of which was Moody’s.

She started there in 1977 in what was then the department that handled the handbook of common stocks Moody’s published. Then, in 1979, Moody’s developed an internal program to promote from within and asked Woodell if she was interested in public finance.

“I said ‘what’s that,’ and that’s really what started it,” Woodell said.

She stayed with Moody’s until 1990, at which point she moved to Fitch until 1993. From there, she went to First Albany Capital Inc., a regional firm at that point, for five years. Ultimately, she moved to S&P and was there until 2004. Woodell retired in 2012.

Woodell said that she loves the industry because it is always changing, something she finds “fascinating.”

She also enjoys what she and her friends refer to as “the curse of the muni analyst.”

“I fly into National [Airport in D.C.] and I say ‘oh, there’s the sewer plants for Washington’ or I go on vacation and I say ‘oh, they have desalinization here,’” she said. “It’s with you all the time. I find it endlessly fascinating.”

## **The Bond Buyer**

By Jack Casey

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