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MSRB Seeks New Complaint Process for MAs, Updated One for Dealers.

WASHINGTON – The Municipal Securities Rulemaking Board wants to amend several of its rules to both create a municipal advisor client complaint process as well as update and streamline its current requirements related to dealer customer complaints.

The MSRB filed its proposed changes with the Securities and Exchange Commission on Tuesday. It would amend MSRB Rules G-10 on investor brochure deliveries, G-8 on books and records, and G-9 on preservation of records.

The self-regulator is proposing to set an implementation date for the changes of six months after SEC approval.

Rule G-10 is designed to protect investors by giving them necessary information, through brochures given to them by dealers, about how to file a complaint about their dealers with the right regulatory entity, according to the MSRB. However, under the current rule, investors only receive the brochure information after they have already made a complaint, which can mean the information comes too late for the investor to make the best use of it.

The MSRB's proposed changes would eliminate the requirement to send a brochure and expand the rule to include municipal advisors and their clients. Dealers and MAs would have to notify their customers and clients, respectively, of: their registration with the MSRB and the SEC; the MSRB's website address; and the brochure available on the MSRB's website that describes the protections available under MSRB rules and how to file a complaint with financial regulatory authorities.

Dealers would be required to notify customers with that information annually and an MA would have to share the information "promptly," but no less than once a calendar year over the course of the MA relationship.

The definition of "municipal advisory client" in the G-10 changes would include the solicitation of an issuer or borrower, but would not include advertising by dealers and MAs or the solicitation of a borrower if the person is not acting in the capacity of a borrower or the solicitation isn't in connection with issuing munis or municipal financial products.

The board said the changes will help investors and clients to get detailed and relevant information about regulated entities and how to make a complaint in a more timely and consistent fashion.

The MSRB is also proposing to extend 1998 guidance dealing with electronic delivery and receipt of information by dealers to municipal advisors as part of the changes. The guidance is under Rule G-32 on disclosure in connection with primary offerings.

In addition to the educational and informational changes, the MSRB is also seeking to enhance its recordkeeping requirements related to written complaints for dealers and then extend those enhanced requirements to MAs.

Under the current Rule G-8, dealers must keep a record of all written complaints from customers along with what action, if any, they have taken related to the complaint.

The revised Rule G-8 would require dealers and MAs to keep an electronic complaint log of all written complaints from customers or municipal advisory clients as well as any person acting on behalf of the customers or MA clients.

The log would have to include: the identities of the dealer customer or MA client; the date the complaint was received; the date of the activity that gave rise to the complaint; and the person whom the customer or client names in the complaint. The log would also have to include a description of the complaint and the action, if any, the dealer or MA has taken in response.

All complaints would be coded using a standard set of product and problem codes that the MSRB would make available, similarly to current SEC and Financial Industry Regulatory Authority requirements.

Rule G-9 will also be amended to require both dealers and MAs to retain their complaint records for six years. MAs would have otherwise only had to keep records for five years.

The definition of “municipal advisor client” in the G-8 and G-9 changes is also broader than the one used in the G-10 changes in order to allow for the capture of written complaints made by the full spectrum of MA clients of a solicitor municipal advisor, the MSRB said.

The self-regulator acknowledged that the changes would likely come with costs to the regulated entities, but noted that those entities that are already regulated with FINRA are already subject to similar requirements and therefore would not likely see significant cost increases.

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