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Groups Want MSRB to Focus on EMMA, Market Costs as Strategic Goals.

WASHINGTON – The Municipal Securities Rulemaking Board should focus its future strategic priorities on improving EMMA, increasing transparency of board operations and costs, and doing more cost-benefit analyses of its rulemaking, municipal market groups and participants told the MSRB.

The groups made their recommendations in response to the self-regulator's call for input about where it should direct its long-term strategic plan.

Mike Nicholas, Bond Dealers of America's chief executive officer, said that BDA believes the MSRB is entering into a new regulatory phase and that "this is the time for the MSRB to focus on ways to improve the municipal securities market that do not involve the types of sweeping and burdensome rulemakings that the MSRB has worked to adopt in recent years."

He said that future MSRB technological changes should focus on narrowing the gap between the corporate and muni markets.

"For all the rhetoric of the need of the municipal securities market to parallel the corporate securities market, the most obvious difference between the two … remains the antiquated technological infrastructure" of the muni market, Nicholas said.

BDA pointed out that issues in the corporate market are organized along industry categories while munis are almost exclusively organized by CUSIP number.

"This provides no organization to the types of issuers within the market and reduces the value of pricing disclosures for investors," Nicholas said. He added that while EMMA currently has issuers post their disclosures to EMMA using relevant CUSIP numbers and allows investors to receive notice of those filings based on CUSIPs, it does not allow an issuer-based disclosure system. The lack of such a system prevents an investor from being notified when for example the issuer of bonds the investor owns publishes a preliminary official statement relating to the same credit as the bonds the investor holds, BDA said.

The National Federation of Municipal Analysts also suggested changes be made to EMMA that could be useful to both its members and the market generally. NFMA recommended that the MSRB: improve EMMA's search function to allow for more narrow searches; provide more descriptive information in alerts; connect remarketing of securities to the original issue; and provide more transparency about issuers' compliance with parts of their continuing disclosure agreements like the timeframe for filing.

NFMA asked that the MSRB provide procedures to reduce errors on EMMA and correct already existing errors like misfiled or mislabeled postings.

The Government Finance Officers Association similarly asked the MSRB to make it easier for issuers to correct or modify the data it has already submitted to the system.

“Changing or correcting data is often unreasonably difficult or sometimes impossible for issuers attempting to provide timely, relevant and accurate disclosure of information,” said Emily Brock, director of GFOA’s federal liaison center.

NFMA also recommended the MSRB change EMMA to: link bonds not only by the issuer but by the ultimate borrower and project; encourage more uniform electronic submissions of data; and provide a mechanism to identify active material events and those that have been resolved.

The Securities Industry and Financial Markets Association said that one of the MSRB’s focuses should be on ensuring that a “robust cost-benefit analysis” is a key factor in evaluating the application of regulatory actions. Michael Decker, managing director and co-head of munis with SIFMA who wrote the group’s letter, asked that the self-regulator report the data, assumptions, and models from which it derives its cost-benefit conclusions when describing its rulemaking proposals.

BDA similarly said that there needs to be a deeper review of the cost-benefit analysis of the MSRB’s rulemakings, specifically through a retrospective regulatory cost-benefit analysis that “would improve the quality of the regulatory process and ensure that competition is not necessarily harmed by new regulations.”

Nicholas recommended that the MSRB “conduct a study to consider how the cumulative regulatory changes have resulted in increased costs, burdens, and inefficiencies” and suggest needed changes.

Decker and SIFMA also asked that the MSRB both review its fee structure and budgeting process to make sure that costs are properly allocated across regulated entities and implement a longer-term outlook in its budget process.

“While we appreciate MSRB fee rebates, it would be better for the MSRB to set fees at a level that does not result in excessive surpluses, necessitating the need for rebates,” Decker said.

Additionally, SIFMA asked for guidance on how MSRB Rule G-34 on CUSIPs applies to bank transactions and how MSRB rules apply in accounts where investment advisers have full discretion. It also asked that the MSRB make a stronger commitment to harmonizing rules with other regulators and revise its approach to informal guidance to be more responsive to firms’ questions about MSRB rules.

GFOA asked for more transparency around MSRB operations, including making sure board meeting agendas and minutes are posted and that issuers have equal representation on the board with other market participants, such as dealers, investors and MAs.

The Bond Buyer

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