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## MSRB Proposes New Ad Rule for MAs, Revised One for Dealers.

WASHINGTON — The Municipal Securities Rulemaking Board is proposing an advertising rule for municipal advisors as well as revisions to its existing dealer advertising rule so that it is in line with other regulators' rules.

The MSRB released the proposals late Thursday, asking for public comments on them to be submitted by March 24.

The MSRB's proposed new Rule G-40 on MA advertising is part of the self-regulator's efforts to create a regulatory regime for MAs and follows efforts to reach out to some MAs for information about MA advertising.

The board's proposed amendments to Rule G-21 on dealer advertising are the result of market participants urging the self-regulator to harmonize the rule with the Financial Industry Regulatory Authority's Rule 2210 on communication with the public.

"The changes we are proposing today would standardize advertising requirements for dealers and municipal advisors, and reinforce protections for the investors and municipal securities issuers that rely on their products and professional services," said MSRB executive director Lynnette Kelly. "We think the changes we are seeking comment on would improve consistency of advertising standards across the financial services sector and would be appropriately tailored to the business needs of municipal finance professionals."

The amendments to Rule G-21 would make explicit and enhance many of the MSRB's fair dealing obligations by mandating six requirements be met, including that an advertisement be fair and balanced as well as provide a sound basis for evaluating the municipal security. They also would require that an advertisement provide a balanced treatment of the benefits and risks associated with a municipal security.

The enhanced fair dealing provisions harmonize the rule with FINRA Rule 2210's content standards for advertisements, according to the MSRB.

The amendments would also prohibit dealers from using testimonials in their advertisements to avoid misleading investors. The revisions would also expand on guidance the MSRB gives in its registration rule explaining that a dealer can only state it is MSRB registered it if is in compliance with MSRB rules and does not indicate that the MSRB endorses the dealer's practices.

Additionally, the revisions would harmonize language explaining general standards in the current rule as well as the definition of a form letter with language in FINRA's Rule 2210. A form letter would be defined as a written letter or electronic mail message distributed to more than 25 persons.

Rule G-40 would be substantially similar to the amended Rule G-21 but would have specific language altered to align with MA practices and would not address product advertisements, new issue product

advertisements, and municipal fund security product advertisements because the MSRB said it does not think MAs prepare those.

The proposed rule, which would apply to advertisements by non-solicitor and solicitor MAs, would define an advertisement as any promotional literature distributed or made generally available to a municipal advisory client by a municipal advisor. Like the amended Rule G-21, Rule G-40 would exclude certain documents from the definition of advertisement such as preliminary official statements, official statements, preliminary prospectuses, summary prospectuses, and registration statements.

The definition of form letter in Rule G-40 would be the same as it is in the amended version of Rule G-21. The MSRB said in its notice that an MA responding to a request for proposals or qualifications from an issuer for services in connection with a municipal finance product would most likely not be making an advertisement because the response would likely be made to no more than 25 people.

Rule G-40 would also set forth similar content standards to those in the revisions to Rule G-21. That would ensure consistent regulation between regulated entities in the muni market as well as level the playing field between dealer MAs and non-dealer MAs, the MSRB said. The rule would also prohibit MAs from using testimonials in advertisements for similar reasons as the ones given to dealers. Additionally, G-40 would define the term professional advertisement in part as an advertisement concerning the services of the MA. It would also require that each advertisement that is subject to the rule be approved in writing by a municipal advisor professional before its first use. The MA would have to keep a record of all such advertisements.

**The Bond Buyer**

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