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MSRB Holds Quarterly Board Meeting October 2017

Washington, DC – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) held its quarterly meeting October 25-26, 2017, where it discussed regulatory and market transparency initiatives aimed at protecting investors and promoting a fair and efficient municipal securities market.

The Board also met with leadership of the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), hosting SEC Chairman Jay Clayton and Office of Municipal Securities' Acting Director Rebecca Olsen, and separately, FINRA's President and CEO Robert Cook and Senior Director of Fixed Income Regulation Cynthia Friedlander. The regulators discussed oversight of the municipal securities market and coordination on cross-market initiatives.

The Board discussed several topics related to its strategic initiatives to support regulatory compliance and further evolve the MSRB's Electronic Municipal Market Access (EMMA®) website into an essential municipal market utility.

To enhance its engagement with external parties, the Board is taking two key steps. First, to ensure that the MSRB's compliance support activities leverage the experience and perspectives of regulated entities and other stakeholders, the Board approved publishing a request for comment to solicit public input on how the MSRB can best assist municipal securities dealers and municipal advisors in understanding, implementing and complying with current MSRB rules. In addition, the MSRB is establishing a compliance advisory group that will provide expertise and input to the Board to help inform the organization's long-term strategic goal to facilitate industry understanding of and compliance with MSRB rules.

"We are committed to incorporating external input from regulated entities and other market participants at every stage of our compliance support activities to ensure they are informed by the diverse perspectives and needs of all stakeholders," said MSRB Executive Director Lynnette Kelly.

The Board also discussed the MSRB's ongoing work to further evolve the EMMA website into an industry-leading platform that meets the needs of market participants and established guiding principles for future functionality and improving the overall user experience of the website.

The MSRB has been engaged in a year-long series of focus groups that included retail investors, issuers, broker-dealers, municipal advisors, dissemination agents and others to inform its approach. "Nearly 10 years after creating EMMA, we are rethinking and reexamining its future," said Kelly. "Our principles will guide decisions about that path."

At its meeting, the Board discussed several ongoing rulemaking initiatives and, as a result of industry input and MSRB outreach to commenters and other market stakeholders, decided to suspend one proposal, and amend two others.

Minimum Denominations

The Board agreed to suspend rulemaking efforts on its earlier initiative to amend the MSRB rule on minimum denominations of municipal securities transactions and to instead prepare a report addressing the policy issues faced by diverse market participants. The rule generally prohibits dealers from effecting customer transactions below the minimum denominations set by the bond issuer. The MSRB sought comment twice in 2016 on whether additional exceptions would be consistent with the rule's investor protection intent and enhance liquidity for investors that hold positions below the minimum denomination. The MSRB filed a proposed rule change with the SEC in January 2017 but withdrew it in May in light of ongoing concerns expressed in public comments. To continue to evaluate the issue, the Board directed MSRB staff to meet with a diverse group of market participants, with a particular effort to include the views of issuers of municipal securities.

"Our intensive outreach and subsequent analysis helped the Board determine that, given the conflicting views around core issues, the best option for the market is to maintain the existing rule, publish our outreach findings and promote education for all deal team members about the role and effects of minimum denominations in bond documents," said MSRB Executive Director Lynnette Kelly. "The MSRB is grateful to the many groups and individuals who responded to our outreach efforts and shared their thoughtful input on the minimum denominations issue."

Obtaining CUSIP Numbers

In response to comment letters received by the SEC on proposed amendments to [MSRB Rule G-34](#), on obtaining CUSIP numbers, the Board agreed to amend its proposal currently pending before the SEC. The amendment will modify the proposed principles-based exception for sales of municipal securities directly purchased and intended to be held by banks to more accurately reflect that the bonds may be subject to a mandatory tender or other redemption prior to maturity.

Similarly, the Board agreed to extend the principles-based exception to apply to purchases of new issue municipal securities by municipal entities that are not established for the purpose of secondary market trading, such as state revolving funds and bond banks. "The CUSIP proposal has also benefited from multiple rounds of industry and public comments," Kelly said. "The result is an appropriately tailored rule proposal that is workable and promotes a fair and efficient municipal securities market."

529 College Savings Plans/ABLE Programs Additional Data Elements

The third rulemaking initiative that the Board addressed at its meeting was a proposal to revise MSRB Form G-45 under [MSRB Rule G-45](#), on reporting of information on municipal fund securities, including the collection of additional data about investment options offered in ABLE (Achieving a Better Life Experience Act) programs and 529 college savings plans. Rule G-45 supports the MSRB's collection of reliable and consistent data about these types of "municipal fund securities" in support of its regulatory oversight. The Board discussed input received on what commenters considered to be the relatively more burdensome aspects of the proposed amendments and, in response, will modify the proposal before filing it for approval with the SEC.

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