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MSRB Holds Quarterly Board Meeting.

Washington, DC –The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) met January 24-25, 2018, where it discussed industry implementation of the mark-up disclosure rule, facilitating compliance with MSRB rules and other measures aimed at regulatory efficiency.

The Board discussed its mark-up disclosure rule scheduled to take effect May 14, 2018 under which municipal securities dealers will be required to disclose to retail investors their compensation on certain transactions, as part of a broader fixed-income market initiative that has been a coordinated effort with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA). The Board discussed the MSRB's ongoing efforts to address challenges associated with industry implementation of the rule, including such topics as vendor readiness, systems development, systems integration and the role of testing and validation. The MSRB is preparing additional guidance following its prior publication of a set of FAQs, and the Board agreed to continue to coordinate with the SEC and FINRA to support compliance with the mark-up rule.

A strategic goal of the MSRB is to provide additional assistance to its regulated entities in complying with its rules. At its meeting, the Board discussed the work of its Compliance Advisory Group and the importance of ensuring that MSRB compliance resources are useful and reflect the needs of regulated entities. The MSRB established the advisory group in October 2017 to provide expertise and input to the Board to help inform the organization's goal to facilitate industry understanding of and compliance with MSRB rules. In addition, the MSRB is currently seeking public and industry comment on how the MSRB can best support regulatory compliance. The comment period remains open until February 9, 2018.

"We are committed to listening and incorporating feedback from both our advisory group and market participants," said MSRB Executive Director Lynnette Kelly. "We encourage general feedback in the current request for comment and recognize that in some cases, formal public comment on specific compliance materials may further benefit their usefulness."

One way the MSRB supports compliance is by providing interpretive guidance on its rules, which is also used by entities that enforce MSRB rules. The Board agreed that it will consider changes to its policy on interpretive guidance that could better promote industry understanding of and compliance with MSRB rules while continuing to maintain an effective enforcement coordination program.

The Board also began to discuss comments received on its concept proposal regarding current practices in the primary offering of municipal securities that stems from its retrospective rule review. The MSRB will continue to consider ideas provided by commenters, but the Board agreed to prioritize an efficiency initiative discussed in the concept release related to data collected from underwriters by the MSRB on Form G-32. The Board directed staff to prepare a request for comment on a proposal to auto-populate Form G-32 with additional data that is currently submitted by underwriters into the Depository Trust & Clearing Corporation's New Issue Information Dissemination Service (NIIDS) but that is not currently required on Form G-32. The request for comment will also seek input on including additional information on Form G-32 that is not currently submitted to NIIDS but that could support additional market transparency.

In another efficiency measure that developed out of the retrospective review of MSRB rules, the Board agreed to publish a request for comment on the proposed consolidation of MSRB requirements related to transactions in discretionary accounts into a single rule. The proposal also would establish limited, new requirements for other uses of discretion in customer accounts to provide clarity on dealer obligations and create greater consistency with similar rules of other financial regulators.

The Board also discussed MSRB professional qualification standards that it has determined to revise because of the October 2018 release of FINRA's Securities Industry Essentials™ (SIE) examination. As previously announced, the MSRB will propose changes to the SEC to MSRB Rule G-3 to require the SIE as a prerequisite to qualification as one of four types of municipal securities representatives. The rule filing will also seek to update certain provisions of Rule G-3 to harmonize them with FINRA's professional qualification standards.

The Board concluded its meeting acknowledging that both municipal securities dealers and municipal advisors are continuing to adapt to new market regulations and agreed that the timing of new requests for comment will be carefully calibrated to allow commenters to provide meaningful feedback as they accommodate new regulatory requirements.

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