

Bond Case Briefs

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MSRB Publishes Issue Brief on Minimum Denominations of Municipal Securities.

Washington, DC - The Municipal Securities Rulemaking Board (MSRB) today [published an issue brief about historical policy issues and additional considerations related to the use of minimum denominations in the sale of municipal securities.](#) The report, intended as a resource for municipal market stakeholders and others, details information drawn from the MSRB's outreach to diverse market stakeholders on minimum denominations.

Minimum denominations for municipal securities are established at issuance to help target their sale to an appropriate category of investors or reduce administrative costs, among other reasons. The MSRB has no rulemaking authority over issuers, including with respect to the use of minimum denominations. However, to help to ensure that municipal securities dealers observe established minimum denominations, MSRB has since 2002 generally prohibited dealers from effecting a municipal securities transaction with a customer in an amount below the minimum denomination of the issue.

In recent years, industry concerns emerged about the limited nature of two exceptions to [MSRB Rule G-15\(f\)](#), on minimum denominations, that were intended to protect customers who hold positions in securities that are below the minimum denomination of an issue. In 2015, the MSRB began to explore possible revisions to the rule that would have created additional exceptions, but in response to strong commenter opposition and an absence of comments from issuers or their representatives, the MSRB in May 2017 decided not to pursue any amendments. Instead, it engaged in formal outreach with bond issuers, their advisors and counsel, dealers in municipal securities and other market participants to more fully understand their perspectives and policy issues raised in the rulemaking process.

The issue brief includes considerations that may merit further discussion among issuers, dealers and other market participants. While the MSRB does not plan to propose changes to its minimum denomination rule, it is providing this resource to support any efforts by market stakeholders to evaluate market practices regarding the use of minimum denominations, particularly in light of developments in technology, a growing interest in small-denomination municipal bonds and the allocation practices of investment advisers.

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