

# **Bond Case Briefs**

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## **MSRB Holds Quarterly Board Meeting.**

Washington, DC – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) convened on January 29–31, 2019, to discuss its market oversight activities and fiscal year 2019 strategic initiatives that support the MSRB’s mission to protect municipal securities investors, issuers and obligated persons and promote a fair and efficient municipal market.

This year, the Board has renewed its commitment to stakeholder engagement to further inform its retrospective rule review, compliance support and other initiatives. [In an outreach effort unprecedented in its scope](#), Board members this year are meeting with municipal securities dealers and municipal advisor firms around the country. At the Board’s meeting last week, the full Board met with leadership of the Securities Industry and Financial Markets Association (SIFMA) Municipal Securities Division, the National Association of Municipal Advisors (NAMA) and the Government Finance Officers Association (GFOA) Debt Committee. “These meetings were a tremendous advancement in our stakeholder engagement efforts,” said Board Chair Gary Hall. “The conversations we are having both with industry representatives and critical market participants allow for a necessary and valuable exchange of information about municipal market oversight.”

### **Retrospective Rule Review**

Another strategic MSRB initiative is the prioritization of its retrospective rule review. Since 2012, the MSRB has been conducting a retrospective rule review to ensure MSRB rules are up-to-date, effective and reflective of the current reality of the municipal market. Chair Hall in October 2018 elevated the retrospective rule review initiative to a strategic priority and at last week’s meeting, the Board agreed on a formal approach and the highest priority rules to review in 2019. “The municipal market is evolving, and we recognize—and indeed are acting on—the imperative to keep our rules current,” he said.

The Board has prioritized an analysis of [MSRB Rule G-23](#), on activities of financial advisors, [MSRB Rule G-34](#), on CUSIP numbers, new issue, and market information requirements and [MSRB Rule G-29](#), on availability of Board rules. The retrospective rule review plan also includes a goal to eliminate outdated information and references in the full rule book. The MSRB will publish a notice this week with details of the 2019 retrospective rule review plan designed to achieve its objectives while obtaining critical feedback from stakeholders in a way that respects their competing priorities.

As part of the MSRB’s ongoing retrospective rule review, it has been evaluating whether interpretive guidance concerning the application of [MSRB Rule G-17](#) to underwriters of municipal securities to ensure and promote fair dealing practices by underwriters with issuers should be amended. The Board discussed feedback received on a [second request for comment](#) on draft amended interpretive guidance and plans to further review possible amendments to the guidance.

The MSRB is also working to clarify existing guidance on its rule on best execution of municipal securities trades. At its meeting, the Board discussed comments received on draft amendments to the guidance and, as a result of feedback received, agreed to clarify guidance that dealers’ do not need to post bid-wanted on or through multiple alternative trading systems (ATs) or broker’s

brokers to satisfy their best-execution requirements. The MSRB expects to publish this guidance this week.

The Board discussed comments received on its [November 2018 notice](#) on draft interpretive guidance about the potential harms of “pennying.” This practice involves a dealer’s purchase of bonds for its own account from a customer seeking to sell a municipal security—after the dealer has reviewed other dealers’ bids—by matching a high bid or purchasing the bond at a price that is nominally higher than the highest bid. The Board directed staff to conduct additional analysis before considering next steps.

## **Market Transparency**

The Board discussed the topic of the timeliness of financial disclosures by municipal securities issuers and agreed to begin a project to improve the form (MSRB Form G-32) through which underwriters provide information about the expected availability of annual financial information to the Electronic Municipal Market Access (EMMA®) website. The improvements will be aimed at helping underwriters fulfill their existing regulatory requirements and provide accurate data. The Board also agreed to continue to evaluate how to leverage the EMMA website and the MSRB’s ability to educate investors to enhance understanding about the timeframes for municipal financial disclosures. “This is an important and complex issue,” Chair Hall said. “The MSRB is committed to working within its Congressional authority to ensure that investors have the information they need regarding financial disclosures.”

The Board also discussed adding third-party evaluated pricing services to the EMMA website. These services, used to estimate the value of individual bonds and to price fixed income portfolios including mutual fund holdings, would provide investors with an additional set of market data and enhance EMMA’s existing tools and resources. The Board directed staff to continue to explore adding evaluated pricing services on EMMA.

As a result of outreach efforts and the MSRB’s [request for information on municipal market benchmarks](#), the Board directed staff to continue to engage with market participants on ways to promote transparency and availability of benchmarks.

## **Financial Oversight**

As part of its commitment to long-term financial sustainability, the Board continued its ongoing discussion of the MSRB’s reserve levels, which as previously communicated, are above the organizational target. The Board will continue its evaluation of reserve levels—incorporating input from an outside expert’s reserves analysis—and determine additional steps to responsibly manage reserves to appropriate target levels. “The level of MSRB reserves is a high priority for the Board,” said Chair Hall. “We are getting close to addressing this important issue.”

Date: February 4, 2019

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