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MSRB To Consider POS', Trade Reporting and More At Meeting Next Week.

The Municipal Securities Rulemaking Board, at its quarterly meeting next week, will consider market participants' concerns about proposals to require underwriters to disclose preliminary official statements on EMMA and to more toward a more real-time trade reporting regime.

The board also will consider a proposal to create a new rule consolidating interpretative guidance for sophisticated municipal market professionals. The three-day meeting, to be held April 24-26 at the MSRB's Alexandria, Va. headquarters, will allow the board to also consider comments it's received from market participants on its overall rules and interpretive guidance as well as a proposal to create a new Rule G-47 that would codify current guidance on dealers' obligations to disclosure material information about munis to customers at or before the purchase or sale.

Several of these proposals are part of an effort undertaken by the MSRB to simplify and organize what has become an increasingly long and complicated string of interpretive guidance for its Rule G-17 on fair dealing rule. "The rule was one sentence, but the guidance is 50 pages," MSRB executive director Lynnette Kelly said Wednesday. "We started an initiative to clean up the guidance."

The new Rule G-47, proposed in February, would replace current guidance on the information dealers are required to disclose to customers before a trade, but would not alter the obligations of the dealers under the current guidance, the board has said.

But dealers have warned the proposed rule is overly broad, lacks clarity and does not address important issues. They have raised questions about the scope of the information covered by the rule and which means of notifying a customer would be acceptable.

The initiative on sophisticated muni market professionals, proposed last July, would consolidate the provisions of several rules that apply to SMMPs, including G-17, G-18 on execution of transactions, G-19 on the application of suitability requirements, and G-13 on quotations relating to municipal securities.

The proposal to move toward more real-time trade reporting has drawn concern from banks and securities firms, which have urged the MSRB not to shorten its current trade reporting deadline or make changes to trade reporting procedures because of the burdens and costs it would impose. Currently dealers must report most muni trades to the MSRB within 15 minutes of execution.

The MSRB's proposal for underwriters to post POS' to EMMA has drawn mixed reviews. The National Federation of Municipal Analysts and Investment Company Institute have praised the proposal, but the National Association of Independent Public Finance Advisors has said it might not benefit the market and the Government Finance Officers wants issuers to retain authority to make filing decisions. Dealers said they favor improved transparency but worry about final OS' making POS' moot.

“A preliminary official statement plays a unique role in the marketing of municipal bond securities and is often supplemented and then ultimately replaced by the final official statement, at which time access to the preliminary official statement is no longer permitted,” Bond Dealers of America president and chief executive officer Mike Nicholas wrote in a comment letter.

National Association of Independent Public Finance Advisors president Jeanine Rodgers Caruso said posting POS documents on issuer and broker web sites might be sufficient. “It seems counterintuitive to suggest that investors who are not already accessing their broker’s website for POS documents would utilize EMMA for such information,” she wrote.

The board could take varying actions on the proposals, such as tabling them, sending them back to staff for further work, or agreeing to submit them to the Securities and Exchange Commission for approval, Kelly said.

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