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## **MSRB Reminder: Amendments to MSRB Rules G-37 and G-8 Become Effective July 1, 2013.**

SEC APPROVES AMENDMENTS TO REQUIRE THE PUBLIC DISCLOSURE OF ADDITIONAL INFORMATION RELATED TO DEALER CONTRIBUTIONS TO BOND BALLOT CAMPAIGNS UNDER MSRB RULES G-37 AND G-8

The Securities and Exchange Commission ("SEC") has approved amendments to MSRB Rules G-37 (on political contributions and prohibitions on municipal securities business) and G-8 (on books and records to be made by dealers) to require the public disclosure of additional information related to broker, dealer and municipal securities dealer ("dealer") contributions to bond ballot campaigns. Specifically, the amendments to Rule G-37 require the public disclosure of additional information related to contributions made by dealers, their municipal finance professionals ("MFPs"), political action committees ("PACs") controlled by the dealer or their MFPs and non-MFP executive officers to bond ballot campaigns and the municipal securities business engaged in by dealers resulting from voter approval of the bond ballot measure to which such contributions relate. The additional information will be required to be reported on revised MSRB Form G-37 and submitted to the MSRB. The amendments to Rule G-8 require dealers to maintain records pertaining to the additional information disclosed under the amendments to Rule G-37. The effective date of the amendments is the start of the second quarter following the date of SEC approval, which is the quarter beginning July 1, 2013.

### **BACKGROUND**

Since February 1, 2010, the MSRB has required public disclosure under Rule G-37 of contributions to bond ballot campaigns made by dealers, their MFPs, dealer-controlled PACs, and their non-MFP executive officers. Dealers are not required to disclose contributions made by MFPs and non-MFP executive officers to a bond ballot campaign for a ballot initiative with respect to which such person is entitled to vote if such contributions, in total, do not exceed \$250 per ballot initiative. Rule G-37 also requires dealers to maintain records of certain reportable contributions to bond ballot campaigns pursuant to Rule G-8. The requirements resulted, in part, from industry concerns that certain contributions to bond ballot campaigns could assist dealers with obtaining municipal securities business, as well as the MSRB's concern about the lack of effective public transparency regarding information on bond ballot campaign contributions. The existing Rule G-37 prohibition on engaging in municipal securities business is not triggered by contributions that are made to bond ballot campaigns by dealers, MFPs or their PACs.

The approved amendments to Rule G-37 add greater specificity to the public disclosures relating to contributions made by dealers and dealer personnel to bond ballot campaigns, and any municipal securities business awarded as a result of the corresponding bond ballot measures. Further, access to such information in a centralized format on the MSRB's EMMA website (through Form G-37) will increase the amount of information available to market participants, furthering the goals of market transparency and market integrity. The revisions also will assist the MSRB in its on-going review of Rule G-37 and potential conflicts of interest or other practices that may present challenges to the

integrity of the municipal securities market related to the political contributions by dealers and dealer personnel.

## SUMMARY OF AMENDMENTS

Rule G-37(e)(i)(B)(2) is amended to provide that, in disclosing the contribution amount made to a bond ballot campaign, the dealer also must include, in the case of in-kind contributions, the value and nature of the goods or services provided, including any ancillary services provided to, on behalf of, or in furtherance of the bond ballot campaign. The amendments also require dealers to disclose the specific date on which such contributions to bond ballot campaigns were made.

Rule G-37(e)(i)(B) is amended to require dealers to disclose the full issuer name and full issue description of any primary offering resulting from voter approval of a bond ballot measure to which a contribution required to be disclosed has been made. Such information is required to be reported in the same calendar quarter in which the closing date for the issuance that was authorized by the bond ballot measure occurred.

The amendments also provide a look-back provision for bond ballot campaign contributions that are made by an MFP or a non-MFP executive officer during the two years prior to an individual becoming an MFP or a non-MFP executive officer of a dealer. The look-back provision limits the additional disclosures required under Rule G-37(e)(i)(B) to those items that would have been required to be disclosed if such individual had been an MFP or a non-MFP executive officer at the time of such contribution. Rule G-37(e)(i)(B) also requires dealers to disclose both the amount and source of any payments or reimbursements related to any bond ballot contribution received by a dealer or its MFPs from any third party.

Rule G-37(g) is amended to expand the definition of “contribution” and create a new term, the “reportable date of selection.” The amendments to the definition of “contribution” distinguish between contributions made to an official of an issuer and contributions made to a bond ballot campaign. The term “reportable date of selection” means the specific date on which a dealer is selected, either in writing or orally, to engage in municipal securities business that must be reported on Form G-37.

Finally, conforming amendments to Rule G-8(a)(xvi)(H) and (I) require dealers to maintain records of the supplemental information related to bond ballot campaign contributions that are required to be disclosed on Form G-37 pursuant to the amendments.

The MSRB reminds dealers that the amendments apply only with respect to municipal securities offerings with a sale or issuance date on or after July 1, 2013, the effective date of the amendments. Thus, dealers will not be required to supplement bond ballot campaign disclosures made with respect to offerings that are prior to July 1, 2013. However, dealers must disclose the full issuer name and full issue description of any primary offering with a sale or issuance date on or after July 1, 2013 resulting from voter approval of a bond ballot measure to which a contribution required to be disclosed has been made, even if such contribution was made by the dealer, its MFPs, any dealer controlled PAC, or its non-MFP executive officers prior to July 1, 2013 but on or after February 1, 2010 (the date on which dealers were first required to record and disclose contributions to bond ballot campaigns). The additional disclosures required under the amendments must be submitted to the MSRB no later than the last day of the month following the end of each calendar quarter starting July 1, 2013. Hence, the additional disclosures must first be submitted to the MSRB no later October 31, 2013 for the quarter commencing on July 1, 2013 and ending on September 30, 2013.

Questions about the amendments may be directed to Leslie Carey, Associate General Counsel, at

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