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MSRB Holds Quarterly Meeting.

The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) held its quarterly meeting July 24-26, 2013, where it addressed themes of transparency and pricing in the municipal market, continued to streamline rules for municipal securities dealers and discussed the City of Detroit bankruptcy. It also approved new officers, board members and a strategic plan to guide the Board's activities beginning October 1, 2013.

To support the MSRB's ongoing commitment to increasing transparency in the municipal market related to pricing of municipal securities, the Board agreed to publish the second concept release in a series of releases on the MSRB's existing transaction reporting system. The new concept release will seek public comment on improving the quality and usefulness of available post-trade information and the appropriate standards for the collection and dissemination of pre-trade information on the MSRB's Electronic Municipal Market Access (EMMA®) website.

"The MSRB is evolving our EMMA website with the goal of creating a central transparency platform for the municipal securities market," said MSRB Chair Jay Goldstone. "We continue to engage the market in an incremental process to provide public access to a consolidated display of all possible sources of pricing-related market data."

To advance the MSRB's discussion of fair pricing in the municipal market, the Board agreed to take a two-step approach to clarifying, and potentially expanding the fair pricing obligations of dealers. First, it agreed to consolidate into a new rule municipal securities dealers' obligations related to fair pricing outlined in a number of existing rules and interpretations. The decision is consistent with MSRB efforts to streamline its rulebook, in particular the numerous interpretations to MSRB Rule G-17 on fair dealing. The Board will seek public comment on condensing relevant requirements described in MSRB Rule G-30 on fair pricing, MSRB Rule G-18 on agency transactions and interpretations to MSRB Rule G-17 on fair dealing.

Second, the Board also agreed to publish a concept release on the merits of requiring municipal securities dealers to take specific steps to obtain the best price for investors buying and selling municipal securities. The corporate bond and equity market have so-called "best execution" rules. However the municipal market does not have similar standard, a concern highlighted in the July 2012 report from the Securities and Exchange Commission on the municipal securities market. The MSRB plans to seek public comment on whether such a standard is necessary for the municipal market, the benefits that would be attained, as well as on the costs of establishing a more structured approach for documenting how dealers satisfy their existing obligation to obtain a fair price for investors.

"Although there appears to be growing acceptance to applying certain best execution-like principles to our market, the Board looks forward to gathering broad public input in order to be as fully informed as possible before making any specific recommendations," Goldstone said.

The Board discussed the developing aspects of the Detroit bankruptcy related to bondholders and is committed to acting as an independent and neutral resource on the issue. The MSRB's EMMA

website provides free public access to Detroit bond filings as well as current and historical trade price information. The Board is reminding market participants that in times of market volatility, the MSRB's educational resources are especially relevant for investors and issuers. The MSRB's Investor Toolkit addresses the risks of and considerations for buying and selling municipal securities.

At its meeting, the Board approved another action related to its effort to streamline existing MSRB rules and provide greater clarity and efficiency for dealers. The MSRB will publish a draft rule that would consolidate the numerous provisions and rules related to registering with the MSRB into a single MSRB registration rule.

The MSRB Board also discussed observations raised in a January 2012 General Accountability Office report, and also discussed in the MSRB's initial concept release on the central transparency platform, about preferential dissemination of trade information to institutional investors. The Board agreed to further evaluate trade data and industry practices to determine whether municipal market participants are using information in a way that would be inconsistent with the principles of fair dealing.

At its meeting, the Board prepared itself for fiscal year 2014 by electing officers for the year that begins October 1, 2013, and electing seven new Board of Directors members who will serve three-year terms. Their names will be announced next week. The Board also approved a strategic plan that will guide the MSRB's activities over the next three years, and a fiscal year 2014 operating plan and budget that supports the MSRB's role as the primary regulator of the municipal market. Details about the strategic and operating plans will be available on October 1, 2013.

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