

Bond Case Briefs

Municipal Finance Law Since 1971

MSRB Announces Topics For Board Meeting.

Municipal Securities Rulemaking Board's board of directors will discuss a possible best execution rule and municipal advisor regulation during their meeting in Alexandria, Va. this week, the MSRB said in a recent notice.

The Oct. 23-25 meeting at MSRB's headquarters will be the first for the new board members who took their seats this month. Led by new chairman and RBC Capital Markets managing director Daniel Heimowitz, the board members will discuss pricing, registration of regulated entities, and professional qualification exams for dealers in addition to best execution and municipal advisors.

The board's discussion of a possible best execution rule will be centered around public input received following a request for comment the MSRB issued in August. Broker-dealers have been skittish about such a rule, which would require them to make an effort to execute transactions with prices as favorable as possible for their customers, similar to a rule that already exists in the corporate bond marketplace. Dealers have warned that copying the corporate rule written by the Financial Industry Regulatory Authority would not work for municipal bonds because munis are traded infrequently and there is no central platform where dealers can check prices quickly.

The Securities Industry and Financial Markets Association has repeatedly suggested its own version of a best execution rule, called "execution with diligence," which would require dealers to use "reasonable diligence" to determine the market for a bond so the price it provides to a customer is "fair and reasonable under prevailing market conditions."

The Securities and Exchange Commission's 2012 report on the municipal market recommended that the MSRB develop a best execution rule, noting the relative "opacity" of the market and that prices have tended to run higher for smaller "retail" trades than those obtained on larger institutional trades.

The board also will discuss the SEC's recent adoption of a permanent municipal advisor registration rule, and talk about the possibility of an MSRB rule codifying the duties of MAs to their clients. The Dodd-Frank Act bestows a fiduciary duty on MAs to act in their clients' best interests. The SEC defines MAs as individuals giving specific advice to a municipal entity or conduit borrower about the issuance of bonds, the investment of bond proceeds, or muni escrow funds.

The MSRB is considering proposing a Rule G-42 that would "set basic standards for the conduct of municipal advisory activities by municipal advisors," but would not include duties of solicitors, according to an MSRB release.

Other items on the board's plate for the upcoming meeting include proposals to streamline existing rules and guidance, including the possibility of consolidating guidance from the MSRB's fair dealing and prices and commissions rules into a single fair-pricing rule. The consolidation would not alter the substance of existing requirements, MSRB officials have said, and public feedback on the proposal has been generally supportive.

The board will also discuss public feedback on creating a single rule, A-12, governing MSRB registration. That would allow the board to eliminate its Rules A-14 on an annual fee, A-15 on notification to the board of a change in status, name or address, and G-40 on electronic mail contacts, as well as Forms RTRS and G-40, according to the MSRB.

The meeting will also include a discussion of professional qualifications exams and continuing education requirements for municipal securities dealers.

BY KYLE GLAZIER

Copyright © 2024 Bond Case Briefs | bondcasebriefs.com