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MSRB Responds to Adoption of Volcker Rule by Federal Regulators.

Alexandria, VA - The Municipal Securities Rulemaking Board (MSRB) welcomed the harmonization of treatment of municipal securities under the so-called Volcker Rule on proprietary trading with how municipal securities are treated under existing federal securities laws. As passed, the provisions of the Volcker Rule avoid making artificial distinctions between municipal securities issued by state and local governments and those issued by their agencies or authorities. The MSRB believes that such distinction would not have served the purposes of the Volcker Rule and would have created regulatory complexity due to divergent treatment under the various applicable federal securities laws.

“The MSRB is pleased that the federal financial regulators agreed with the MSRB’s analysis and amended the initial proposal to avoid an unnecessary bifurcation of the municipal market,” said MSRB Chair Dan Heimowitz. “Exemption of all municipal securities as defined by the Securities Exchange Act ensures that the municipal market will not be splintered unnecessarily as a result of the Volcker Rule.”

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 mandated the development of a federal rule to restrict an insured depository institution and its affiliates from engaging in proprietary trading, among other provisions.

In a January 2012 comment letter to the five federal regulators jointly developing the Volcker rule, the MSRB urged that all municipal securities be treated equally under the governmental obligations exemption. The regulatory agencies - the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, the Federal Deposit Insurance Corporation and the U.S. Department of the Treasury Office of the Comptroller of the Currency - adopted a final rule that reflects the MSRB’s recommendation. The rule adopted today becomes effective April 1, 2014.