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MSRB Adopts Best-Execution Rule to Enhance Fairness and Efficiency in the Municipal Securities Market.

Alexandria, VA - The Municipal Securities Rulemaking Board (MSRB) has received [approval from the Securities and Exchange Commission \(SEC\) to require municipal securities dealers to seek the most favorable terms reasonably available for their retail customers' transactions](#). While investors are already protected from unfair pricing practices under long-standing MSRB rules, the new "best-execution" rule taking effect December 7, 2015 will establish explicit standards for how dealers handle and execute customer orders for municipal securities.

"Today, we reached an important new milestone in the municipal market," said MSRB Executive Director Lynnette Kelly "Introducing a 'best-ex' standard will buttress pricing standards, promote fair competition among dealers and enhance market efficiency all for the benefit of retail investors in municipal bonds."

The new rule is among several MSRB initiatives underway that are designed to enhance fairness and transparency in municipal securities transactions. In November, the MSRB released a [proposal to require dealers to disclose certain pricing reference information on customer confirmations](#). This proposal and the new best-execution rule advance the vision outlined in the MSRB's long-range plan for market transparency and align with recommendations in the SEC's July 2012 report on the municipal securities market.

The best-execution rule will require municipal securities dealers to use "reasonable diligence" to identify the best potential trading venue for a particular security and then execute transactions in that venue to provide the customer with a price as favorable as possible under prevailing market conditions. The rule is modeled on a similar rule for the equity and corporate fixed income markets, but is appropriately tailored to the characteristics of the municipal securities market. Dealers will generally meet the new obligations by establishing and periodically improving their policies and procedures for handling and executing customer orders.

Notably, transactions with sophisticated municipal market professionals (SMMPs) are exempt from the rule, and its adoption, accordingly, is accompanied by amendments to related provisions to help ensure that only appropriate investors are treated as SMMPs.

The MSRB is providing dealers with a one-year implementation period to come into compliance with the new rule. During that time, the MSRB plans to provide dealers with practical guidance on the application of the rule.

The MSRB will host an educational webinar about the key provisions of the new rule on February 5, 2015 at 3:00 p.m. ET. [Register for the webinar.](#)

Date: December 8, 2014

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