

Bond Case Briefs

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MSRB Holds Quarterly Board Meeting.

Alexandria, VA - The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) held its quarterly meeting January 28-29, 2015, where it reached another milestone in its development of a baseline qualifying exam for individuals who engage in municipal advisory activities, such as providing financial advice to state and local governments on municipal bond issuances.

The Securities and Exchange Commission (SEC) is reviewing a [related MSRB proposal to establish two classes of municipal advisor professionals](#) - representative and principal - both of whom would be required to pass a basic competency examination. If this proposal is approved by the SEC, the MSRB will submit to the SEC for its approval the study outline for the examination, the Board decided at its meeting. The planned test will cover the role and responsibilities of municipal advisor professionals as well as the rules and regulations governing their activities. If approved, a pilot Series 50 municipal advisor exam will be administered later this year and a permanent exam is expected to be in place by 2016.

The study outline was developed after the MSRB conducted extensive outreach to gather input from municipal advisors and others. The outline includes topics to be covered by the test and provides sample questions and reference material to assist municipal advisor professionals in preparing for the exam. All MSRB professional qualifications exams are developed in accordance with established national standards.

“Municipal advisors play a key role in municipal finance transactions, from the most basic to highly complex transactions,” said MSRB Chair Kym Arnone. “Going forward, passing a basic competency exam will be a requirement for all municipal advisors in—or entering—the profession. Finalizing the blueprint for the municipal advisor exam is a major milestone in this effort.”

The MSRB also developed and maintains the Series 51, 52 and 53 qualification examinations for municipal securities professionals. At its meeting, the Board agreed to an increase in the fees for these exams, which have not been adjusted since 2009. Even with the increase, costs to maintain MSRB tests far exceed test revenues. The MSRB is currently engaged in a holistic review of all its fees to ensure that they are reasonably distributed across regulated entities. It should be noted that these fees still fall short of the development costs.

In other municipal advisor rulemaking action, the Board agreed to make certain revisions, after considering the comments received, to the MSRB’s draft amendments to Rule G-20 on gifts and gratuities to extend its provisions to municipal advisors. The revised amendments, to be filed with the SEC, would prohibit municipal advisors, with limited exceptions, from giving more than \$100 per year to a person in connection with the municipal securities or municipal advisory activities of the recipient’s employer. The rule also would explicitly prohibit dealers and municipal advisors from receiving reimbursement of certain entertainment expenses from the proceeds of an offering of municipal securities. To ease compliance burdens, the amended rule will codify applicable interpretive guidance.

“The MSRB continues to prioritize the development of regulations and professional qualifications to

protect the interests of states and municipalities that rely on the services of municipal advisors,” Arnone said. “These measures are consistent with the MSRB’s development of a comprehensive framework of rules and standards for municipal advisors stemming from the Dodd-Frank Wall Street Reform and Consumer Protection Act.”

In addition to municipal advisor topics, the Board began its review of comments recently received on a proposal to require dealers to disclose reference prices on retail customer trade confirmations executed by dealers on the same day. The MSRB’s pricing reference information proposal, released in November 2014 in conjunction with a similar FINRA proposal for the corporate bond market, aims to enhance price transparency for retail investors in municipal securities. The Board will continue to carefully consider the issues raised by commenters and continue to coordinate with FINRA as it determines next steps.

In furtherance of its effort to promote greater transparency in the municipal securities market, the MSRB continues to explore adding pre-trade information to its Electronic Municipal Market Access (EMMA®) website, and recently decided to seek SEC approval to add additional post-trade information to the site. Finally, the MSRB is engaged in a review of all its uniform practice rules to determine if changes might be necessary to modernize the rules, which were established primarily in the 1980s, consistent with advancements in technology and current market practices.

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