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MSRB Holds Quarterly Meeting.

Alexandria, VA - The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) held its quarterly meeting July 29-30, 2015 where it discussed several rulemaking proposals and corporate matters in preparation for the start of the organization's upcoming fiscal year.

Regulatory Topics

The Board discussed its earlier proposal to require dealers to provide pricing reference information for municipal securities transactions on retail customer confirmations and has directed staff to prepare a second proposal for public comment.

"Based on the feedback we received, the MSRB is developing a new proposal on disclosure of markups and markdowns for a category of principal transactions of municipal securities," said MSRB Chair Kym Arnone. "We are interested in hearing the merits of this approach in comparison with our first proposal to help investors understand the transaction costs and pricing of a municipal bond trade." The MSRB plans to publish its markup proposal in the near future, which will also seek comment on several modifications to the MSRB's initial proposal as an alternative to the preferred new approach. In addition the MSRB will continue to coordinate with the Financial Industry Regulatory Authority (FINRA) on the general subject of confirmation disclosure.

The Board also reviewed draft guidance for dealers on the MSRB's new best-execution rule, which will be finalized in the coming weeks to ensure that dealers have additional guidance to implement new Rule G-18 by the December 2015 effective date. Rule G-18, on best execution, requires dealers to seek the most favorable terms reasonably available for their retail customers' transactions, a step that supports existing MSRB rules and is a key investor protection.

"We are eager to provide the market with additional guidance on the implementation of this important rule," Arnone said. "We believe the guidance will help ensure investors see a consistent application of the order-handling principles outlined in the best-ex rule."

Both MSRB rulemaking initiatives 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.

At its meeting, the Board also discussed comments received on its proposal to modify the application of the standard of independence under MSRB Rule A-3 for the public member of the Board designated to be representative of institutional or retail investors in municipal securities. The Board agreed to continue to discuss ways to ensure that it can benefit from the expertise and knowledge of municipal market participants such as institutional investors as it discusses complex market structure issues.

The Board directed staff to develop a rule proposal on changes to MSRB Rule G-12, on uniform practice, to address outdated requirements for close-out procedures for dealers purchasing municipal securities. The proposal will be a part of the MSRB's ongoing regulatory efficiency

initiative that has resulted in a number of updated and streamlined MSRB rules.

The Board discussed the securities industry's voluntary initiative to shorten the settlement cycle from the current T+3 cycle to T+2 and agreed it would support any associated MSRB rule changes necessary to accommodate a shortened settlement cycle, contingent on the necessary decisions of other regulators.

The Board discussed MSRB Rule G-10, on the delivery of the investor brochure, and determined to continue discussions on the best ways to address the customer complaint process.

Financial and Corporate Business

Following more than a year's analysis of its fees, the Board approved a proposal to adjust several MSRB fees to align the organization's revenues with operational and capital expenses. The MSRB will file with the Securities and Exchange Commission the proposed changes to MSRB Rules A-12, on registration, and A-13, on underwriting and transaction assessments, soon. The Board discussed and approved the MSRB's annual operating plan and associated budget for the upcoming fiscal year beginning on October 1, 2015 in support of the organization's strategic goals.

Date: August 3, 2015

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