# Bond Case Briefs

*Municipal Finance Law Since 1971*

---

## MSRB to Cut Underwriting Fee; Raise Initial, Annual Fees.

WASHINGTON — The Municipal Securities Rulemaking Board has announced that it will increase its initial and annual fees while lowering its underwriting fee to better distribute costs among regulated entities based on their level of involvement in muni market activities.

In a change to its Rule A-12 on initial and annual registration fees, the MSRB will raise both its initial fee to $1,000 from $100 and its annual fee to $1,000 from $500. Both increases will be implemented on Oct. 1.

An amendment to Rule A-13 on underwriting and transaction fees will reduce the underwriting fee to $0.0275 per $1,000 of the par value of primary offerings from the current $0.03 per $1,000 of par value. That change will be implemented on Jan. 1.

The fee changes, which were filed with the Securities and Exchange Commission late Monday, are the result of a “holistic fee review” the MSRB said it undertook to balance its projected surplus in its technology fund with potential decreases in its future operating revenues.

The MSRB said the changes are “effectively revenue neutral” and support its “continuous and ongoing efforts” to “reasonably distribute fees among all regulated entities based on the level of involvement by brokers, dealers, municipal securities dealers and municipal advisors in the municipal securities market.”

The annual fee has not changed since 2009 and in 2014 it only covered 3.5% of the MSRB’s total expenses instead of the 5% it had covered in 2009, even as the number of regulated entities rose. The MSRB said the annual fee is “the primary way dealers share in the costs and expenses of operating and administering” the board and said the increase is a way for entities to “more fairly contribute” to MSRB costs.

The increase in the initial fee will be the first since the fee was adopted in 1975. The MSRB called the higher fee “reasonable” and said it would help defray a significant portion of administrative and operational costs.

Of the more than 2,000 dealers and municipal advisors registered with the MSRB in 2014, only about 140 dealers were assessed underwriting fees and 840 were assessed transaction and technology fees, according to the regulatory notice.

Among the “highly concentrated” group of regulated entities paying these market activity fees, less than a dozen dealers accounted for about 52% of the payments. These findings led the MSRB to lower underwriting fees because the dealers who primarily pay them are also most of the payers of the transaction and technology fees.

Jessica Giroux, general counsel and managing director of federal regulatory policy for Bond Dealers of America, said BDA appreciates the MSRB’s effort to create a more balanced distribution of fees among all regulated entities.

“The BDA’s historical concerns have always been that the broker dealer underwriting fees finance the majority of the MSRB’s operation,” Giroux said. “However, it appears that the MSRB has taken such concerns into consideration as they evaluated their new fee structure.”

Securities Industry and Financial Markets Association managing director and co-head of municipal securities Michael Decker said SIFMA is continuing to vet the MSRB’s fee changes, but that they “won’t appropriately balance the MSRB’s expenses among all the regulated parties” because the board still does not require non-dealer municipal advisors “pay their fair share of the MSRB expenses.”

He also said a separate proposal in the MSRB’s regulatory notice to permanently collect the technology fee, $1.00 per transaction for each interdealer and customer sale report to the board, goes back on an understanding market members had when the rule was approved in 2011 as a temporary measure until the MSRB’s capital reserve rose to an appropriate level.

The MSRB will no longer allocate the money collected from the technology fee specifically for capitalized hardware and software expenses, it said in the notice. Instead, the revenue will be generally used “for the most appropriate organizational uses,” the MSRB said.

**The Bond Buyer**

by Jack Casey

AUG 11, 2015 1:21pm ET