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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 October 21-22, 2015 where it discussed multiple initiatives aimed at promoting a fair and efficient municipal securities market, and held annual meetings with the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA).

The MSRB is currently addressing several high-profile regulatory issues with significant implications for the municipal market— and securities markets generally. Among these are the manner in which dealers execute municipal trades for their retail customers; increased transparency for retail investors into their transaction costs; and standards of conduct for municipal advisors, which include a fiduciary duty.

At its meeting last week, the Board met with the SEC Office of Municipal Securities' Director Jessica Kane and Deputy Director Rebecca Olsen, and with FINRA Chairman and Chief Executive Officer Richard Ketchum and Director of Fixed Income Regulation Cynthia Friedlander regarding the current status of various rules which are awaiting final approval, new rulemaking initiatives, and coordination on cross-market initiatives.

"We are tackling major market issues that relate to certain activities in other securities markets," said MSRB Chair Nat Singer. "Regulatory coordination is the best approach for ensuring regulatory efficiency but it also can mean that the rulemaking process can be extended."

The MSRB is finalizing practical guidance for municipal securities dealers on the application of a new "best-execution" standard that requires them to use reasonable diligence when handling orders and executing trades for retail investors to obtain a price that is as favorable as possible under prevailing market conditions. The MSRB is coordinating with FINRA, which is also developing guidance for best-execution rule for the corporate bond market. In addition, both regulators currently have proposals out for public comment that would require confirmation disclosure of additional information relating to transaction costs for retail customers. The proposals share a comment deadline of December 11, 2015.

The Board also discussed the growing use of bank loans by state and local governments. The MSRB supports disclosure of all of a municipal security issuer's debt so that investors have a full picture of an issuer's indebtedness. The MSRB encouraged the SEC to provide guidance to the municipal market regarding bank loans with respect to when these "loans" are, in fact, securities subject to SEC and MSRB rules. If a "loan" is a security, the MSRB also is concerned that a non-dealer municipal advisor may be subject to registration as a broker-dealer when it engages in assisting an issuer in placing a direct "loan" with a bank.

"Multiple regulators are focused on this pressing issue right now and the MSRB looks forward to continuing to educate the market about its concerns," Chair Singer said.

The Board approved issuing two requests for comment, one on proposed changes to MSRB Rule G-12, on dealer closeout procedures, which have not been updated since 1983. The initiative is part of

the MSRB's regulatory efficiency initiative. The Board also approved publishing a request for comment on MSRB rule changes necessary to support the industry-wide initiative to move to a T+2 settlement cycle. Both of these potential changes are designed to promote efficiency and mitigate risk.

Another major MSRB initiative is the development of professional qualifications and continuing education requirements for municipal advisors. At its meeting, the Board discussed how to design a continuing education program for municipal advisors to ensure they remain informed on an ongoing basis of issues that affect their job responsibilities and regulatory developments. The Board agreed to continue to refine its approach to continuing education requirements for municipal advisors as soon as advisors complete the MSRB Municipal Advisor Representative Qualification Exam (Series 50) next year. The MSRB plans to publish a request for comment next summer.

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