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[MSRB to Seek Public Comments On Prevailing Market Price, Bank Loans.]

WASHINGTON – The Municipal Securities Rulemaking Board will seek public comment on both how dealers should calculate the prevailing market price under its proposal requiring dealer disclosure of markups to retail customers and how it can get more issuers to disclose bank loans.

The MSRB will move with "all due speed" on its request for comment on calculating the prevailing market price. She said the MSRB hopes to put out a concept release with questions about how to improve private placement disclosure during the next three to four months, MSRB executive director Lynnette Kelly said during a call with reporters after the MSRB's Jan. 27 and 28 meeting here.

The board's decision to request public input on the prevailing market price come after dealers asked the MSRB for more guidance on the correct way to make the calculations. Kelly said the MSRB recognizes there are "a complex set of factors" that determine the prevailing price and added the MSRB wants to make sure it is "asking the right questions" in its request for comments.

Nat Singer, the MSRB's chair, did not participate in the call but said in an MSRB release that the "step is critical to establishing prevailing market price guidance that is appropriately tailored for the municipal market."

Dealer groups have criticized the markup proposal for not being in line with similar confirmation rule amendments proposed by the Financial Industry Regulatory Authority. FINRA's changes would require dealers to disclose the differential between the price to the customer and the dealer's reference price. The proposed rule changes also diverge in the timing of trades they would require dealers to consider, with the MSRB mandating dealers include trades occurring within two hours of the transaction and the FINRA rule spanning a full day of trading.

The dealer groups also complained the MSRB's proposal will impose substantial costs on dealers.

Kelly said before the meeting that private placements, especially bank loans, have been "a rallying cry" for the organization. The MSRB does not have jurisdiction over issuers though and has instead decided to find alternate ways to "get at the issue," she said.

So far, the board has urged issuers to voluntarily disclose bank loans and adjusted its EMMA system to make it easier for issuers to disclose the loans on their homepages.

Despite its efforts, Kelly said there have only been 138 filings in the special category created on EMMA, which "certainly does not represent any material amount."

"We are taking our call for improved voluntary disclosure to the next level," Singer said in the release. "We want input from the public on the ways we might address this very important issue."

The MSRB also tackled a number of other issues in its meeting, including deciding to file a rule change with the Securities and Exchange Commission to support a two-day settlement cycle, move forward with an academic product that would use anonymous dealer identifiers, and pursue enhancements to EMMA.

The move to a two-instead of three-day settlement cycle has industry-wide support and the MSRB has made it clear that its changes are predicated on the SEC amending its own rules to establish a T+2 cycle for equity and corporate markets.

In addition to the T+2 discussions, the board decided to file with the SEC its July 16 proposal that would give academics muni trade and pricing data that use anonymous dealer identifiers. The proposal would prohibit academics from reverse engineering and redistributing the data and would also require them to disclose their specific intentions for requesting the information. The data would only be available to academics with institutions of higher education and would have to be more than two years old to be eligible for release.

Researchers who commented on the proposal said the identifiers would improve liquidity and market transparency but dealer groups said they were afraid their identities, trading strategies, and inventories would be discovered through reverse engineering.

“It’s often been a challenge to do research in the muni market given the size of the market, the complexity, the number of individual bonds but we’re hopeful that with this additional data product specifically for academics will make research in the market easier,” Kelly said.

As part of the MSRB’s continuing goal of improving EMMA for market participants, it approved the addition of an economic calendar so that issuers, investors and others can easily access federal economic data releases in the same place where they can find muni information. Kelly added the board is still discussing adding yield curves and a new issue calendar to EMMA.

The board also discussed its decision to issue a request for comment on adding exceptions to its minimum denomination rule and whether it has jurisdiction over newly created savings programs for individuals with disabilities.

The addition of minimum denomination exceptions is part of an ongoing effort to revisit rules and update or change them to keep them consistent with current market trends. The proposed changes to MSRB Rule G-15 on confirmation, clearance, settlement and other uniform practice requirements for dealers would seek to include transactions involving people who have less than a minimum denomination of bonds because of a divorce or inheritance.

The savings accounts, called ABLE accounts after the Achieving a Better Life Experience Act of 2015 that Congress passed to create them, are tax-advantaged and could resemble 529 College Savings Plans, which the MSRB have jurisdiction over. The board agreed that if the MSRB has jurisdiction over the ABLE accounts too, it would review its rules to see what new rules or changes would need to be made. It said that it expects to get a sense of its jurisdiction over the accounts in the next three to six months.

THE BOND BUYER

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FEB 1, 2016 2:04pm ET