

# **Bond Case Briefs**

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## **What MSRB Wants to Change in New Academic Data Product with SEC.**

WASHINGTON - The Municipal Securities Rulemaking Board is asking the Securities and Exchange Commission to approve rule changes to create a new academic trade product with anonymous dealer identifiers.

The MSRB said in its filing that establishing the data product, which would only be available to researchers associated with a higher education institution, “would add to the MSRB’s current offering of data products and further the MSRB’s mission to improve the transparency of the municipal securities market.”

The self-regulator said it may consider expanding the distribution of the product at some point in the future after the SEC approves the preliminary introduction.

Dealers are currently required to report all executed transactions in munis to the Real-Time Transaction Reporting System within 15 minutes of the time of trade. The MSRB makes some of that post-trade information available to the general public for free and allows data vendors, industry utilities and others to access more information on a subscription basis. However, none of the available information currently contains dealer identifiers.

The new academic data product would be subscription based and require the researchers to pay a fee.

Academics largely welcomed the new idea when it was first proposed last summer, agreeing that it would bring more transparency to the municipal market. But some dealer groups relayed member concerns that the product and availability of identifiers would open them up to reverse engineering.

The MSRB said in its filing to the SEC that it took those past concerns into account while updating the original version.

Bond Dealers of America said in a September 2015 comment letter about the product that it felt the current information the MSRB makes available to the public includes a “sufficient level of detail to support rigorous study.” The Securities Industry and Financial Markets Association added that it did not feel the MSRB would put enough protections in place to prevent the reverse engineering.

One possible remedy SIFMA suggested was to change the “aging” requirement for the data to four years from the two MSRB originally proposed. Other individuals and firms made suggestions ranging from one year to four. The MSRB ultimately decided to change its requirement to a mandatory three-year wait before data can be released, after reviewing the comments.

SIFMA also recommended that the MSRB exclude primary trades from the product’s data sets, arguing the currently available public data without dealer identifiers is already subject to reverse engineering.

The MSRB agreed with that suggestion and said in its filing to the SEC that the product would not include list offering price and takedown transaction, which can be used to identify primary market transactions.

The self-regulator, which acknowledged that reverse engineering was a possibility, also listed other steps it plans to take to combat the practice and any harm that could result from it.

Those measures include: providing unique data sets with different anonymized dealer identifiers to each academic; requiring subscribers to sign an agreement stating they will not attempt to reverse engineer the data; prohibiting redistribution of the data in the product; and mandating users disclose each intended use of the data. It would also require the data to be returned or destroyed if the researcher's subscription agreement is terminated.

The board has also promised to clarify the potential liability an academic would have under the subscription agreement and define key terms necessary to complying with the changes in the text of any final agreement an academic would sign before receiving the data product.

## **The Bond Buyer**

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