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## **MSRB Plans to Codify CUSIP Requirements for Private Placements.**

WASHINGTON - The Municipal Securities Rulemaking Board plans to propose codifying its long-time regulatory interpretation that dealers are required to apply for CUSIP numbers when conducting private placements.

MSRB executive director Lynnette Kelly told reporters on Monday that the board, during its quarterly meeting here late last week, decided to issue the proposal and seek comment on it within the next few months.

The proposed changes to MSRB Rule G-34 on CUSIP numbers would harmonize the definition of underwriter in that rule with the definition under MSRB Rule G-32 on disclosure in connection with primary offerings. The definition of underwriter in G-32 tracks the one used in Securities and Exchange Commission Rule 15c2-12 on disclosure. Whether bank loans are included as private placements that need CUSIP numbers would still depend on whether they are considered loans or securities, MSRB staff said.

The rule changes to G-34 will be the first proposed amendment coming from the MSRB's multi-year initiative to review primary market practices. Kelly said the review of dealer rules in the primary market will continue.

The MSRB is also planning to file a continuing education requirement for municipal advisors with the SEC after receiving requests from MAs to more carefully evaluate and explain the requirements the board had previously circulated for comment. The circulated requirements would create a single-pronged approach similar to one of the two prongs that dealers are currently required to satisfy for their continuing education requirements. All associated persons of MAs who engage in MA activities as well as those who manage, direct, or supervise the firm's municipal advisor activities and its associated persons would be required to participate.

The National Association of Municipal Advisors had emphasized the need for the MSRB to keep small MAs in mind as it pursues the requirements so that there isn't an overwhelming economic or administrative burden on those MAs.

Kelly said that the proposed amendments, which would require MAs to conduct annual needs analyses and develop a written training plan, would call for the analyses to be customized to the size and scope of a firm's business activities. She said the board expects that customization to mitigate negative effects on small MAs. The board will also be giving examples of needs analyses as part of its effort to help guide implementation.

The MSRB also plans over the next few months to create a new MA advertising Rule G-40 that would apply the core principles of current MSRB Rule G-21 for dealers on advertising in aiming to ensure accuracy and balance in promotional materials, according to the MSRB.

Kelly said the board will ask for comments on the proposal, which will also include updates to the

dealer rule. The board felt that there were enough differences in the ways that dealers and MAs advertise that two separate rules made the most sense, Kelly said.

Two days of the three-day meeting were devoted to strategic planning for the next two to four years, according to Kelly. The strategic planning discussion included numerous letters the self-regulator got from market participants after it circulated a call for comments in October on where it should focus moving forward. The commenters made suggestions like asking the MSRB to improve its EMMA system, increase transparency of board operations and costs, do more cost-benefit analyses of its rulemaking, and study the complexities and burdens that have arisen from the board's rulemaking over the last several years.

EMMA has drawn attention recently as seven municipal bond groups sent a letter on Jan. 23 asking the MSRB to improve the system's accessibility and usefulness. The recommendations fell into four areas: searchability; ease of data imputing and uploading; improving linkages among related data; and the ability to correct information already on the EMMA platform.

Some suggestions included: permitting the search of a borrower and a project; standardized templates for the submission of financial information, customized by sector; and a quality assurance process or enhanced uploading processes to reduce categorization errors.

One other area the board touched on during its meeting was the way it could help to improve continuing disclosure in the market. Continuing disclosure has been discussed often in recent years. It was the focus of the SEC Enforcement Division's Municipalities Continuing Disclosure Cooperation initiative, which promised underwriters and issuers would receive lenient settlement terms if they self-reported instances over the last five years where issuers falsely said in offering documents that they were in compliance with their continuing disclosure agreements.

The MSRB said it is evaluating how it can do more to help issuers meet their disclosure obligations in a timely way. It is expecting to update a report issued in May 2015, which, among other things, detailed the amount of time it takes issuers to file their disclosures.

## **The Bond Buyer**

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