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MSRB Reminds Dealers of Existing Guidance on Filtering of Bids and Offers.

Washington, DC – In light of [developments in the use of alternative trading systems \(ATSs\) and the role of broker's brokers in the municipal securities market](#), the Municipal Securities Rulemaking Board (MSRB) today reminded municipal securities dealers about their regulatory responsibilities related to filtering out bids on an ATS and offers from certain dealers when they transact municipal securities. The MSRB recognizes that the practice of filtering, which may also occur when a selling dealer directs a broker's broker to limit the audience for a bid-wanted, may serve a legitimate purpose. However, as the [MSRB noted in a recent letter to the Securities and Exchange Commission's Investor Advocate](#), in some cases the practice of filtering could have a negative impact on retail investors, free competition and market efficiency.

"In support of our mission to protect investors, the MSRB monitors market practices such as filtering that may have an adverse impact on retail investors," said MSRB Executive Director Lynnette Kelly. "Certain credit, legal, regulatory and other legitimate issues can justify filtering by dealers. But since the practice has the potential to negatively affect prices received by retail investors, we think it's important to remind dealers of their regulatory obligations."

Today's regulatory reminder is intended to serve as a compliance resource to assist dealers in assessing their policies and procedures governing when and how to use, review and change filters to ensure compliance with existing regulatory obligations. This reminder does not create new legal or regulatory requirements, but rather summarizes existing guidance for dealers issued in 2012 on [MSRB Rule G-43](#), on broker's brokers, and [MSRB Rule G-30](#), on prices and commissions, as well as implementation guidance provided in 2015 about [MSRB Rule G-18](#), on best execution, that addressed filtering.

"Dealers have had almost two years to implement and comply with the best-execution rule, which has been an examination priority for enforcement agencies," Kelly said. "Given the developments in the use of ATSs, it makes sense to remind dealers of the guidance about the appropriate use of filters to help support their compliance with the best-ex rule."

[Read the regulatory reminder.](#)

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Contact: Jennifer A. Galloway, Chief Communications Officer
202-838-1500
jgalloway@msrb.org