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MSRB Asks SEC Approval to Require More Data from Underwriters.

WASHINGTON — The Municipal Securities Rulemaking Board has filed rule changes with the Securities and Exchange Commission, which would require underwriters to provide more information about new offerings of bonds and eliminate the need for dealer financial advisors to provide the official statements to the underwriter.

On Thursday, the MSRB filed rule changes to G-11, on primary offering practices, and G-32, on disclosures in connection with primary offerings, after a two-year review process. The new amendments would ultimately increase transparency and equal access to information, the MSRB said.

"Engagement with our stakeholders has been an integral part of our retrospective review of MSRB rules related to primary offering practices," said MSRB Chair Gary Hall. "As a result of the feedback we have received over the past several years, we believe the proposed enhancements will increase transparency and promote the fair dissemination of information."

The MSRB published the draft amendments after a broader request for comment on primary offering practices, and received feedback from market participants in September 2018.

If approved by the SEC, the new amendments to Rule G-32 will require additional data about new issue bonds to be included on Form G-32 and would auto-populate data from the New Issuer Information Dissemination Service (NIIDS) onto that form.

The NIIDS system, developed by the Depository Trust Company at the Securities Industry and Financial Markets Association's request, collects information about a new muni issue from underwriters or their representatives in an electronic format and then makes that data immediately available to vendors that provide such information to market participants.

Form G-32 is submitted to the MSRB by underwriters and provides information about a new issuance, such as the underwriting spread, maturity date, initial offering price, minimum denomination, and more.

Some market groups said that the underwriter that submits the initial NIIDS data should have no obligation to update that information over the life of the bonds, in 2018 comment letters.

MSRB will ask for dealers to provide the minimum denomination of a new issue and to indicate yes or no on whether a minimum denomination is subject to change.

In his 2018 comment letter, Mike Nicholas, CEO of Bond Dealers of America, said his group supported a yes/no indicator for changing minimum denominations.

The MSRB will also require data on names of additional managers and municipal advisors in a deal. Currently, the data only shows syndicate managers.

However, Nicholas in 2018 wrote that the BDA objected to identifying the municipal advisors, saying the information is obtainable from the final OS.

“The BDA objects to this data field,” Nicholas wrote in 2018. “The information is obtainable from the final official statement and does not represent valuable information in the secondary market trading of municipal securities.”

The final proposal also dropped a subsection in Rule-32 that said a dealer financial advisor that prepares an OS would have to deliver it to the managing or sole underwriter after the issuer approves it for distribution.

A new amendment in Rule G-11 would align the time frame for the payment of group net sales credits (sales credits for orders in which all syndicate members benefit according to their participation in the account) with the payment of net designation sales credits. Both would then be paid within 10 calendar days after the date the issuer delivers securities to the syndicate.

Currently, group net sales credits are paid out of the syndicate account when it settles, meaning some syndicate members must wait 30 days following the receipt of the securities before they receive the credits. In contrast, sales credits due to a syndicate member as designated by a customer in connection with the purchase of securities (net designated orders) are supposed to be distributed within 10 calendar days after the date the issuer delivers the securities to the syndicate.

The MSRB began its formal retrospective rule review in early 2012 and in October 2018, it said it would continue its review into 2019.

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