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## **SEC Approves Amendments Aimed At New Issue Transparency.**

The Securities and Exchange Commission approved changes to Municipal Securities Rulemaking Board rules, requiring more information from underwriters about new offerings of bonds and eliminating the need for dealer financial advisors to provide the official statements to the underwriter.

The SEC approved the changes to amendments Rule G-11 on primary offerings and Rule G-32 on disclosures in connection with primary offerings late last week after a two-year review process by the MSRB.

Changes to the rules will increase transparency and improve access to information, said Margaret “Peggy” Blake, MSRB associate general counsel.

The compliance date for the amendments will be January 13, 2020. For amendments to Form-32, the MSRB will publish one or more notices within 180 days of June 25, 2019, specifying compliance dates for the changes after getting stakeholder outreach.

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. The MSRB asked for SEC approval in March 2019.

The MSRB eliminated the requirement under Rule G-32(c) that a dealer financial advisor that prepares an official statement make it available to the managing or sole underwriter after the issuer approves it for distribution.

Underwriters will also be required to input more data in Form G-32 about new issue bonds, auto-populated from the New Issue Information Dissemination Service (NIIDS). The MSRB is adding 57 new data fields to Form G-32 to capture data already required to be entered into the NIIDS, and nine new data fields for manual completion.

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.

MSRB President and CEO Lynnette Kelly said that information would not be provided for the life of the bonds, just as of the date of a new issue. The MSRB will extract information from the NIIDS database so that the underwriter doesn’t have to populate the information in both NIIDS and Form G-32.

In the past, market groups said the underwriter submitting the initial NIIDS data should have no obligation to update that information over the life of the bonds.

In addition to the data fields, the MSRB will also add nine data fields to Form G-32 to be manually completed by underwriters in NIIDS-eligible offerings.

In one of the data fields, the MSRB will ask for the underwriter to indicate yes or no at the time of an issuance whether the original minimum denomination for an issue can change.

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

The changes to Form G-32 will require identifying additional syndicate managers and municipal advisors on an underwriting, a provision which has been controversial in the past.. Currently, the data only shows syndicate managers.

In BDA's 2018 comment letter, Nicholas wrote that BDA objected to identifying municipal advisors, saying the information is obtainable from the final official statement.

The data field for adding identifying a municipal advisor will autofill or the MSRB will provide a drop-down function. Both options will include all municipal advisors registered with the MSRB and will include an option to enter "no municipal advisor."

Under changes to G-11, a senior syndicate manager will have to provide certain information to the issuer of a primary offering on designations and allocations of its municipal securities and also simultaneously communicate to the syndicate and selling groups when an issue is free to trade.

Changes to the rule would then eliminate any potential for unfair advantages in secondary market trading that could result from having advance notice that an issue is free-to-trade, the MSRB wrote.

The MSRB also announced that former MSRB Director of Systems Development Adam Cusson will be named chief information officer. Cusson will oversee IT operations, data and infrastructure management, enterprise architecture and systems development.

"He will be very instrumental along with other leaders in the IT department to help our transition to the cloud," Kelly said, referencing MSRB's efforts to transition to cloud-based data storage.

Al Morisato held the position of chief operations and technology officer and left the MSRB in April 2017. In the interim, Chief Operating Officer Mark Kim took the helm of IT operations.

By Sarah Wynn

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