

Bond Case Briefs

Municipal Finance Law Since 1971

BDA Sends Comments to SEC on Proposed Changes to MSRB Rules A-3 and A-6 on Board Composition and Governance.

BDA this morning filed a comment letter with the SEC on proposed changes to MSRB Rules A-3 and A-6 on board composition and governance. The proposal before the SEC is available [here](#).

BDA's comment letter is available [here](#).

Senator Kennedy's MSRB reform bill is available [here](#).

The proposed changes will, when approved by the SEC, impose these changes:

- Reduce the size of the MSRB board from 21 to 15, with a transitional 17-member board in 2021, with the new board being comprised of eight independent members and seven industry representatives
- Specify that at least two of the seven industry representatives must be from non-dealer Municipal Advisor firms; and
- Specify that independent board members, if they previously worked for regulated companies, must be away from the industry for five years to qualify for a board position as opposed to the current two, among other changes.

In our letter to the SEC, we state that BDA opposes “the MSRB’s Proposal and we urge the Commission to reject the initiative.” On the issue of independent directors, we state that “five years away from the industry and the market is too long for a Board member to be effective.” On the issue of a minimum of two directors being MAs, we state “we call on the MSRB to set the ratio of board seats between dealers and MAs based on each constituency’s relative financial contribution to the organization, subject to statutory requirements.”

It is likely that the SEC will approve the MSRB’s proposal without amendment. It is also likely that the MSRB’s motivation for this change is to forestall action by Senator John Kennedy (R-LA) on his broader MSRB reform legislation.

Please call or write if you have any questions.

Bond Dealers of America

July 15, 2020