

# **Bond Case Briefs**

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## **MSRB Files Proposal with SEC to Implement Structural Changes to Its Fee Setting Process.**

**Washington, D.C.** – The Municipal Securities Rulemaking Board (MSRB) announced today that it filed with the Securities and Exchange Commissions (SEC) a proposal to restructure how the organization will assess fee revenue and manage reserve levels going forward. The filing describes an annual rate setting process that will annually adjust fee rates to account for prior year results. This “Annual Rate Card Process” is designed to ensure the organization has sufficient annual revenue to fund operations, while also more effectively and efficiently managing its reserve levels. Consistent with the new approach, the proposal would also amend certain fees for dealers and municipal advisors as of October 1, 2022. The additional revenue generated from these amendments will fund anticipated operating shortfalls and other near-term funding priorities of the self-regulatory organization (SRO) responsible for protecting and strengthening the \$4 trillion municipal securities market.

“Among the highest responsibilities of an SRO is prudent stewardship of the revenue from regulated entities,” said MSRB Chair Patrick Brett. “Following an intensive evaluation by our Finance Committee and a careful review of input from our stakeholders, we have developed a more nimble and sustainable approach that positions us to continue to advance our mission of protecting investors, issuers and the public interest, and our long-term strategic goals of modernizing our rules, technology and data.”

### **Proposed Annual Rate Card Process**

The MSRB’s proposal to establish a new Annual Rate Card Process would determine certain MSRB fees based on the total amount of revenue each fee was expected to contribute, the expected volume of activity underlying the fee, and the amount of revenue actually generated by the fee in the prior fiscal year as compared to budget.

“With the majority of the MSRB’s revenue coming from market volume-based fees, market volatility has contributed to a cycle of excess reserve building and temporary fee reductions that has understandably frustrated many of our regulated stakeholders,” said Frank Fairman, Chair of the Board’s Finance Committee. “Our proposed rate card process provides a more timely and predictable mechanism for mitigating the impact of market volatility, allowing us to effectively manage reserve levels while adequately funding future expenses needed to deliver on our long-term strategic plan.”

The new approach is designed to maintain a fair and equitable balance of fees among regulated entities while also ensuring that the MSRB has sufficient revenue and organizational reserves to operate without interruption even in economic downturns and other unforeseen circumstances.

### **Proposed FY 2023 Fee Rates**

The MSRB’s proposal would increase the rates of assessment for the MSRB’s market-based fees, including the Underwriting Fee, Transaction Fee and Trade Count Fee (currently known as the Technology Fee) described in [MSRB Rule A-13](#), for the first time in over a decade. The proposal also

would increase slightly the rate of assessment for the MSRB's Municipal Advisor Professional Fee described in [MSRB Rule A-11](#). The proposed rates of assessment would become operative on October 1, 2022, and are currently expected to remain operative through December 31, 2023, when the next set of rates determined under the Annual Rate Card Process would take effect.

"I am pleased to report that we remain on track to fulfill our commitment to return approximately \$19 million in excess reserves to the industry by the end of September," said MSRB CEO Mark Kim. "We strive to uphold the public trust and ensure accountability to our stakeholders by more effectively managing our operational reserves and by providing transparency in how we allocate our resources."

The MSRB publishes detailed information about its revenues, expenses and reserves in its [annual budget](#) each fall, in addition to providing full audited financial statements in its [annual report](#) each January.

- [See FAQs about Proposed Amendments to MSRB Rules Establishing Fees for Dealers and Municipal Advisors.](#)
- [Read the MSRB Notice.](#)
- [Read the filing.](#)

Date: June 2, 2022

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