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MSRB Discusses Retrospective Rule Review Initiatives at Quarterly Board Meeting.

Washington, DC – The Municipal Securities Rulemaking Board (MSRB) met on April 26-27, 2023, for its third quarterly Board of Directors meeting of Fiscal Year 2023. The Board discussed regulatory initiatives in support of the organization's long-term strategic goal to review and identify opportunities to modernize the rules established to protect municipal bond investors and the state and local governments that rely on the municipal market to raise capital.

"In a healthy and dynamic municipal market, practices evolve over time, requiring regulators to continually review the rules and associated guidance to ensure they continue to meet their intended objectives effectively and efficiently," said MSRB Chair Meredith Hathorn. "The MSRB is advancing a series of regulatory proposals that will streamline and modernize the rule book, ensuring that our rules appropriately achieve their issuer and investor protection goals without placing undue compliance burdens on regulated entities. We are making significant progress toward this goal, while recognizing that we have a perpetual responsibility to assess our rules and adapt them as needed to advance our mission to promote a fair and efficient market and facilitate capital formation."

The MSRB's rule book modernization includes two distinct but related efforts: ongoing retrospective reviews of MSRB rules and a long-term comprehensive review of the MSRB's entire body of interpretive guidance. The Board discussed next steps for several related initiatives described below. The Board also discussed the Securities and Exchange Commission's (SEC) rule proposals to address cybersecurity risks, which, if adopted, would establish new requirements for municipal market participants, including the MSRB.

One-Minute Trade Reporting

The Board received an update on staff's ongoing coordination with the SEC and Financial Industry Regulatory Authority (FINRA) on the MSRB's one-minute trade reporting proposal. The MSRB sought comment in August 2022 on proposed amendments to MSRB Rule G-14 that would generally require that transactions in municipal securities are reported as soon as practicable, but no later than within one minute of the time of trade, down from the current 15-minute reporting requirement.

"The MSRB continues to analyze trade data and discuss stakeholder feedback to inform the development of rule amendments that would enhance price transparency in the municipal market for investors," said MSRB CEO Mark Kim. "We appreciate the coordination with fellow regulators and input from market participants to work toward a one-minute standard while remaining mindful of important considerations, such as the relationship between a shortened reporting timeframe and a firm's best execution obligations, potential impacts on smaller firms and operational considerations associated with manual trades."

Interpretive Guidance Review

As a next step in the MSRB's efforts to review the entire body of interpretive guidance, the Board approved seeking comment to codify or retire nearly 40 pieces of interpretive guidance related to Rule G-12(c) pertaining to inter-dealer confirmations.

"Through conversations with market participants, the MSRB sees a real opportunity to reduce substantially the volume of guidance in the rule book and facilitate compliance by distilling the relevant investor and issuer protection concepts into clear rule text," Kim said. "We anticipate broad market agreement that this provision of our rule book does not merit preserving 40 pieces of interpretive guidance dating back as far as the 1970s."

Professional Qualification

The Board authorized staff to seek SEC approval of amendments on Rule G-3 to create an exemption for municipal advisor representatives from requalification by examination in certain circumstances that the Board believes would not reduce the protection for issuers who expect their municipal advisory professionals to have met established professional qualification standards. This initiative aims to provide greater regulatory flexibility and promote diversity, equity and inclusion in the municipal market for professionals who temporarily leave the municipal advisory business. The MSRB's rule filing will provide clarity around considerations raised by commenters.

Time of Trade Disclosure

The Board received an update on staff's ongoing review of comments received in response to the recently closed request for comment on proposed amendments to Rules G-47, on time of trade disclosure and D-15, defining the term "sophisticated municipal market professional.

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Contact: Leah Szarek, Director of Communications
202-838-1500
lszarek@msrb.org

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