



Municipal Securities Rulemaking Board



Supporting the Municipal Market

ANNUAL REPORT 2016

Contents

Message from the Chair	1
Establishing Consistent Standards for All Municipal Finance Professionals	2
Extending Important Investor Protections.	3
Improving Market Efficiency	5
MuniEdPro SM : A New Interactive Education Resource	6
EMMA [®] : Improvements and Usability	8
Supporting the Community	9
Board of Directors 2016–2017	10
Message from the Executive Director	12
FY 2016 Financial Highlights	13

ABOUT THE MSRB

The Municipal Securities Rulemaking Board (MSRB) protects investors, state and local governments and other municipal entities, and the public interest by promoting a fair and efficient municipal securities market. The MSRB fulfills this mission by regulating the municipal securities firms, banks and municipal advisors that engage in municipal securities and advisory activities. To further protect market participants, the MSRB provides market transparency through its Electronic Municipal Market Access (EMMA[®]) website, the official repository for information on virtually all municipal bonds. The MSRB also serves as an objective resource on the municipal market, conducts extensive education and outreach to market stakeholders, and provides market leadership on key issues. The MSRB is a Congressionally chartered, self-regulatory organization governed by a 21-member board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is subject to oversight by the Securities and Exchange Commission.



Colleen Woodell

Message from the Chair

A few months ago, the MSRB Board of Directors met with the leadership of the Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA), and noted that in 2016 our organizations had achieved an unprecedented level of collaboration and cooperation. We all worked diligently last year to ensure cross-market consistencies in rulemaking, when possible, and to support each other — and bank regulators — with respect to municipal market surveillance and enforcement.

Meanwhile, the MSRB continued its ongoing initiative to revise, consolidate or delete rules that are unduly burdensome, fail to accomplish their intended purpose or could be made more efficient. These regulatory efficiency efforts supported important rulemaking we conducted throughout the year (see page 5).

In 2016, we achieved our goal of providing additional retail investor protections by implementing a “best-execution” rule and related guidance for municipal securities dealers. The rule is aimed at ensuring that customer orders to buy or sell municipal bonds are executed in a way that results in the most favorable pricing under prevailing market conditions (see page 3). A best-execution rule has been a long-standing fixture in the equity and corporate bond markets, but structural differences in the municipal bond market made the application of a similar rule more challenging. Our best-execution rule complements existing fair and reasonable pricing standards in the municipal market and seeks to improve execution quality for retail investors in municipal securities. This development is just one of the meaningful changes for retail investors last year.

The MSRB also developed a way for retail investors to receive information about their dealer’s compensation in a municipal bond transaction. Working closely with the SEC and FINRA to ensure that municipal and corporate bond market regulations are aligned with each other, the MSRB will implement a mark-up disclosure rule in 2018. This historic development promises to usher in a new level of transparency for investors while continuing to promote regulatory efficiency across the fixed income markets.

The MSRB worked diligently last year to establish a regulatory framework for municipal advisors (see page 2) so that all financial professionals operating in the municipal market meet standards of conduct and competency. Municipal advisors and dealers offer different skills and services, but municipal advisors now have legal obligations parallel to those that apply to dealers. These new MSRB rules mean that municipal entities are protected in their municipal advisory relationships and that financial professionals in our market have a strong degree of regulatory consistency.

And in 2016, the MSRB became the first national securities regulator to support, through rulemaking, the securities industry’s plan to move to a shortened, two-day settlement cycle.

These exciting developments were accompanied last year by the MSRB’s introduction of MuniEdProSM, a suite of interactive, online courses for municipal market participants. Several years ago, the MSRB Board of Directors recognized the absence of high-quality continuing education materials and agreed that the MSRB was appropriately positioned to address a market need (see page 6). We believe education is critical to supporting effective rulemaking and compliance by dealers and municipal advisors. When combined with the vast data and disclosure information the MSRB provides through its Electronic Municipal Market Access (EMMA[®]) website and its other market transparency systems, MuniEdProSM is yet another way that the MSRB contributes to a fair and efficient municipal securities market.

As we head into 2017, the MSRB Board of Directors will be thinking strategically about future rulemaking and transparency efforts, taking into consideration those initiatives that will best serve the needs of investors and municipal entities.

Sincerely,

Colleen Woodell
Chair

Establishing Consistent Standards for All Municipal Finance Professionals

New Rules Create Important Protections for Municipal Entities

Last year brought a level of consistency to the standards that all municipal finance professionals must meet. New MSRB rules added a layer of protection and transparency for state and local governments that issue bonds to raise capital or that sponsor 529 college savings plans or Achieving a Better Life Experience (ABLE) programs. In 2016, the MSRB implemented a core set of rules of professional conduct and qualification for municipal advisors designed to bring accountability to the municipal advisory business, a segment of the market that had operated without full regulatory oversight prior to the Dodd-Frank Wall Street Reform and Consumer Protection Act.

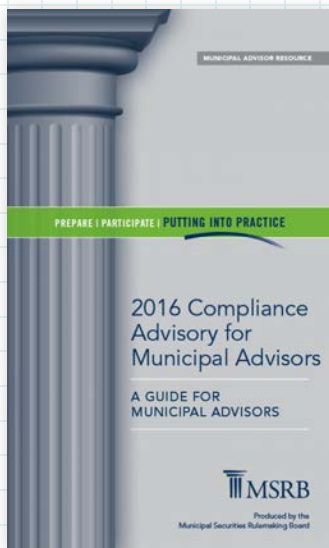
Principal among these new rules is [MSRB Rule G-42](#), which helps to ensure that municipal entities are provided with sound advice and dealt with in good faith and on honest terms. These obligations parallel those that have long applied to dealers underwriting municipal bonds.

Complementing this cornerstone rule are regulations targeting conflicts of interest in the municipal advisory business. The MSRB extended to municipal advisors two key dealer rules — limitations on business-related gift-giving under [MSRB Rule G-20](#) and provisions against pay-to-play activities under [MSRB Rule G-37](#) — that will help ensure that municipal advisors, like dealers, are hired on the basis of merit, not influence gained through improper gifts or political donations. Additionally, the creation last year of supervisory and compliance requirements for municipal advisors under new [MSRB Rule G-44](#) aligns with parallel requirements for dealers.

The MSRB also successfully implemented a baseline test of professional competency for municipal advisors, the [Municipal Advisor Representative Qualification Examination \(Series 50\)](#), which is similar to the MSRB's qualifying exam for dealers, the Municipal Securities Representative Qualification Examination (Series 52). Municipal advisors must take and pass the Series 50 by September 12, 2017 to continue engaging in municipal advisory activities. The MSRB maintains a list of individuals who have passed the Series 50 exam on its website alongside the registration status of the individual's associated firm. The MSRB encourages municipal entities to check this list to identify Series 50-qualified municipal advisor professionals.

Putting Rules into Practice

The MSRB offers several resources to assist municipal advisors with putting the rules into practice and enhance understanding of their new regulatory responsibilities. The [MSRB's 2016 Compliance Advisory for Municipal Advisors](#) highlighted some of the key compliance risks for municipal advisors and serves as a tool for firms when evaluating the adequacy of their supervision and compliance programs. A series of free on-demand webinars on the provisions of the final MSRB rules for municipal advisors is available for continuing education credit. These resources and more are available on the MSRB's website under the [Regulated Entities](#) tab.





Extending Important Investor Protections

Last year's implementation of the first best-execution standard for municipal securities transactions and the creation of a mark-up disclosure requirement are major advancements in municipal investor protection and strongly support regulatory efficiency across financial markets.

Best Execution

Equity and corporate bond investors have for many years benefited from the protection of a best-execution standard for dealers' handling of customer orders. However, the unique characteristics of the municipal market, including the large volume of individual bonds and infrequency with which many of them trade, made it challenging to similarly regulate how dealers execute customer orders when compared to the more liquid equity and corporate bond markets. The MSRB's best-execution rule, [Rule G-18](#), is therefore tailored to the characteristics of the municipal securities market and focuses on the order-handling process. It requires dealers to use "reasonable diligence" to identify the best potential market for a security and

to execute transactions in that market to provide the customer with a price that is as favorable as possible under prevailing market conditions. Rule G-18 buttresses existing fair pricing standards, promotes fair competition among dealers and enhances market efficiency.

To support implementation of the new rule, the MSRB provided guidance on the application of the rule for municipal securities transactions, coordinating with FINRA to achieve consistent standards for the municipal and corporate bond markets. The MSRB's implementation guidance helps facilitate dealer compliance and ensure investors consistently receive the benefit of fair handling of their orders to buy or sell municipal securities.

Mark-up Disclosure

The effort to apply a best-execution standard to the municipal market informed the MSRB's ongoing work to increase transparency of pricing for retail investors. The MSRB and FINRA worked cooperatively throughout

Implementation of a best-execution standard and creation of a mark-up disclosure requirement are major advancements in municipal investor protection.

The MSRB continues to enhance its EMMA website to provide useful and readily accessible information on pricing.

2016 to determine how to apply another equity market standard to the municipal and corporate bond markets. Late in the year, the organizations received approval from the SEC to implement new rules to require municipal securities dealers and corporate bond dealers to disclose on retail customer confirmations the amount of the mark-up in a class of principal transactions.

The MSRB's mark-up rule, while aligned with FINRA's parallel initiative on mark-up disclosure for transactions in corporate bonds, is tailored for the municipal market and includes extensive guidance on how municipal securities dealers price bonds and calculate their compensation. This effort will help ensure that investors have information they need to assess prices they receive when buying or selling a municipal bond, including the amount of compensation paid to their dealers. And, as the MSRB readies for the implementation of the mark-up rule in 2018, the MSRB will continue to enhance its EMMA website to provide useful and readily accessible information on pricing and other considerations for municipal securities investors and all market participants. As part of this work, the MSRB will provide educational materials to assist market stakeholders in implementing the requirement and understanding the new information.

Regulatory Oversight of ABLÉ Programs

In 2016, the MSRB assumed oversight of new tax-advantaged saving programs under Section 529A of the Internal Revenue Code modeled on college savings plans. The Stephen A. Beck, Jr., Achieving a Better Life Experience (ABLE) Act created ABLE programs to help support eligible individuals who are blind or disabled with maintaining health, independence and quality of life.

What is the MSRB's role with ABLE programs?

Much like interests in 529 college savings plans, interests in ABLE programs may be considered "municipal fund securities" under MSRB rules. Further, much like dealers that transact in 529 college savings plans, dealers that transact in ABLE programs may be subject to regulation by the MSRB. MSRB regulation means, among other things, that the activities of dealers that offer interests in ABLE programs may be subject to the MSRB's fair practice rules. These rules require, in part, that recommendations made by a dealer must be suitable, advertisements must not be materially misleading and that investors must receive certain disclosures.

What guidance has the MSRB provided to dealers and municipal advisors relating to ABLE programs?

In 2016, the MSRB provided guidance under Rule D-12 that interests in ABLE programs may be municipal fund securities under MSRB rules, and that all previous guidance applicable to the sale of interests in 529 college savings plans by dealers also applies to the sale of interests in ABLE programs, as relevant. The MSRB has also provided guidance relating to municipal advisors to sponsors or trustees of municipal fund securities, including ABLE programs, under Rules G-42 and G-44. Consistent with its collection of data about 529 college savings plans under Rule G-45, the MSRB will begin collecting data from underwriters to ABLE programs in 2018. In 2017, the MSRB anticipates that it will publish additional guidance relating to ABLE programs.

MSRB
Municipal Securities
Regulating Board

Regulatory Notice

2015-21

SEC Approves Amendments to MSRB Rule G-20 on Gifts, Gratuities and Non-Cash Compensation and Related Amendments to MSRB Rule G-8

Publication Date
November 9, 2015

Stakeholders
Municipal Securities Dealers, Municipal Advisors

Notice Type
Regulatory Announcement

Effective Date
May 6, 2016

Category
Fair Practice Administration

Affected Rules
Rule G-20, Rule G-8

The Municipal Securities Regulating Board (MSRB) received approval from the Securities and Exchange Commission (SEC) on November 6, 2015 of amendments to MSRB Rule G-20, on gifts, gratuities and non-cash compensation, and MSRB Rule G-8, on books and records to be made by brokers, dealers, municipal securities dealers, and municipal advisors, and the deletion of prior interpretive guidance that is codified by amended Rule G-20. The amendments, among other things, extend the restrictions regarding gift giving and the related recordkeeping requirements currently applicable to brokers, dealers, and municipal securities dealers (collectively "dealers") to municipal advisors.

The MSRB, in the exercise of the rulemaking authority granted by the Dodd-Frank Wall Street Reform and Consumer Protection Act, is currently developing a comprehensive regulatory framework for municipal advisors. The amendments to Rules G-20 and G-8, which are primarily designed to address imperatives and conflicts of interest that may arise from the giving of gifts by municipal advisors or their associated persons, represent another important contribution to the development of that framework. The amendments will help ensure common standards in this area for dealers and municipal advisors, and will advance the MSRB's mission to protect municipal entities, obligated persons, investors, and the public interest.

The rule changes will become effective on May 6, 2016.

See Exchange Act Release No. 36811 (Nov. 6, 2015), file No. SR-MSRB-2015-046.

MSRB | Municipal Securities Regulating Board | 01/16/16 | 10/16/16

MSRB
Municipal Securities
Regulating Board

Regulatory Notice

2016-15

MSRB to Amend Rules to Define Two-Day Settlement Cycle

Publication Date
May 2, 2016

Stakeholders
Municipal Securities Dealers

Notice Type
Approval Notice

Category
Uniform Practice

Affected Rules
Rule G-13, Rule G-15

Overview
The Municipal Securities Regulating Board (MSRB) received approval from the Securities and Exchange Commission (SEC) on April 29, 2016 to amend MSRB Rules G-13, on uniform practice, and G-15 on confirmation, clearance, settlement and other uniform practice requirements with respect to transactions with customers, to define regular-way settlement for municipal securities transactions as occurring on a two-day settlement cycle ("T+2") and technical conforming amendments.¹ The MSRB will announce the complete date of the amendments in a notice to be published on the MSRB website, which date will correspond with the broader industry transition to a T+2 regular-way settlement, which is dependent upon the SEC making corresponding amendments to Exchange Act Rule 15c-1(a).

Background
In early 2015 the securities industry launched a voluntary initiative to shorten the settlement cycle for securities transactions to reduce counterparty risk, decrease clearing capital requirements, reduce liquidity demands, and harmonize the settlement cycle globally. The industry had initiated to shorten the current regular-way settlement cycle defined as a three-day settlement cycle ("T+3") to a T+2 settlement cycle being led by the Shortened Settlement Cycle Industry Operating Committee (SSC), which is jointly chaired by the Investment Company Institute (ICI) and the Securities Industry and Financial Markets Association (SIFMA). The SEC announced its proposal in a white paper (the "white paper"), which outlined the timeline and activities required to move to a T+2 settlement cycle in the U.S. for

¹ See Securities Exchange Act Release No. 37184 (Apr. 29, 2016), file No. SR-MSRB-2016-011.

² See MSRB Form G-12.

³ A proposal of "Close-Out Netting" which is being revised with the adoption of the amendments discussed herein. The following interpretive notice is also being revised: "Notice Concerning Close-Out Procedures Under Rule G-12" (October 1, 2015). "Use of PFR System for Close-Out" (Rule G-12) (March 11, 2015). "Use of Financial Transactions for Close-Out" (Rule G-12) (December 29, 2015). "Close-Out Procedures: Timing of Payments on Forward" (September 23, 2015) and "Close-Out Procedures: Transaction Involving Issuance" (March 3, 2016).

⁴ The purchasing dealer may initiate a close-out within 10 business days after a confirmation - even under Rule G-12 (provided it is eligible), even though more than 10 business days have elapsed since the original confirmation date.

MSRB | Municipal Securities Regulating Board | 01/16/16 | 10/16/16

MSRB
Municipal Securities
Regulating Board

Regulatory Notice

2016-21

SEC Approves Amendments to MSRB Rule G-12 on Close-Out Procedures

Publication Date
August 19, 2016

Stakeholders
Municipal Securities Dealers

Notice Type
Approval Notice

Effective Date
November 18, 2016

Category
Uniform Practice

Affected Rules
Rule G-12

Overview
The Municipal Securities Regulating Board (MSRB) received approval from the Securities and Exchange Commission (SEC) on August 18, 2016 to amend MSRB Rule G-12, on uniform practice, regarding close-out procedures for municipal securities, to mandate that inter-dealer failed transactions be closed out within 10 calendar days with an allowance for an additional 10-calendar day extension at the issuer's discretion.¹ The amendments become effective on November 18, 2016.

Background and Regulatory Justification
Rule G-12(b) and the MSRB's Manual on Close-Out Procedures² provide optional procedures that can be used by brokers, dealers, or municipal securities dealers ("dealers") to close out open inter-dealer failed transactions. The rule currently allows the purchasing dealer to issue a notice of close-out to the selling dealer on any business day from five to 10 business days after the scheduled settlement date.³ If the selling dealer does not deliver the securities owed on the transaction within 10 business days after receipt of

¹ See Securities Exchange Act Release No. 38621 (Aug. 18, 2016), file No. SR-MSRB-2016-011.

² See MSRB Form G-12.

³ A proposal of "Close-Out Netting" which is being revised with the adoption of the amendments discussed herein. The following interpretive notice is also being revised: "Notice Concerning Close-Out Procedures Under Rule G-12" (October 1, 2015). "Use of PFR System for Close-Out" (Rule G-12) (March 11, 2015). "Use of Financial Transactions for Close-Out" (Rule G-12) (December 29, 2015). "Close-Out Procedures: Timing of Payments on Forward" (September 23, 2015) and "Close-Out Procedures: Transaction Involving Issuance" (March 3, 2016).

⁴ The purchasing dealer may initiate a close-out within 10 business days after a confirmation - even under Rule G-12 (provided it is eligible), even though more than 10 business days have elapsed since the original confirmation date.

MSRB | Municipal Securities Regulating Board | 01/16/16 | 10/16/16

Improving Market Efficiency

With many MSRB rules in place for more than 35 years, the organization has been engaged in an ongoing effort to ensure that its rules function as efficiently as possible and reflect current market practices. This effort includes continually reviewing and assessing existing rules and guidance for municipal securities dealers. In recent years, the MSRB has identified opportunities to update, clarify or improve consistency of its rules. Many of these changes are the direct result of input from market stakeholders, first solicited in December 2012.

To date, the MSRB has amended, consolidated and streamlined nearly a dozen key rules as a result of its regulatory efficiency initiative. Recent changes include an update to [MSRB Rule G-12](#) to [modernize close-out procedures for municipal securities](#). The amended rule mandates that inter-dealer failed transactions be closed out within 10 calendar days, with an allowance for an additional 10-calendar-day extension at

the buyer's discretion. In another efficiency initiative, the MSRB led the way in pursuing amendments to Rule G-12 to support the broader securities industry plan to transition to a [two-day \(T+2\) regular-way settlement cycle](#).

To enhance market understanding of MSRB regulations regarding gifts, the MSRB [consolidated and codified](#) guidance under [Rule G-20](#), on gifts and gratuities, non-cash compensation and expenses of issuance. The amended rule incorporates interpretive guidance published by FINRA and adopted by the MSRB.

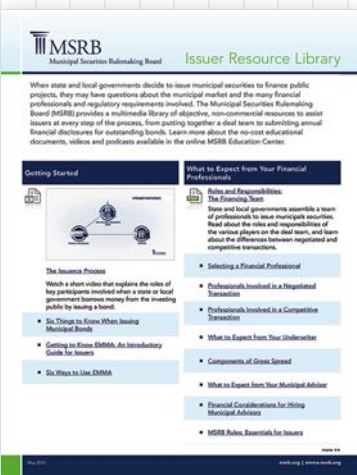
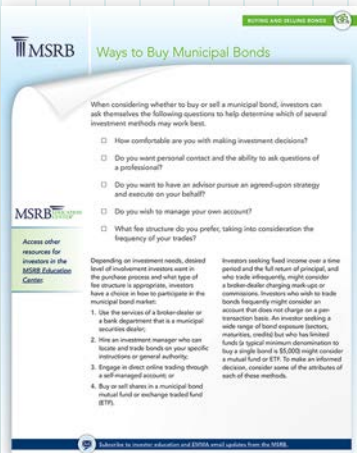
The MSRB continues its work to enhance regulatory efficiency and has proposed amendments to its customer complaint rules to, in part, align these requirements with those of FINRA and to extend those requirements to municipal advisors. Read more about the MSRB's [regulatory efficiency initiatives](#) on the website at [MSRB.org](#).

The MSRB has been engaged in an ongoing effort to ensure its rules function as efficiently as possible and reflect current market practices.

MuniEdProSM: A New Interactive Education Resource

In 2016, the MSRB brought advances in online learning technology to municipal market participants through the enhanced delivery of educational content. MSRB educational webinars on regulatory and transparency topics became available on demand from an enhanced webinar portal on the MSRB's website at MSRB.org. The MSRB offers live and on-demand webinars for continuing professional educational credit (CPE) following its designation as a registered sponsor of CPE in accordance with the requirements of the National Association of State Boards of Accountancy (NASBA).

Perhaps most significantly, the MSRB took a major step toward increasing the availability of quality municipal securities market education with the launch of MuniEdProSM in September 2016. This suite of interactive, online courses is a resource for anyone looking to enhance their understanding of how municipal securities are issued, sold and traded. However, the MSRB has designed the courses for financial professionals who want to reinforce their knowledge of the municipal securities market and its regulations. Participants can earn CPE credit and the courses may fulfill continuing education



Discover MuniEdProSM:
Interactive, online municipal market education.

Learn more at MSRB.org.

Click, Call, Comply

Understanding Continuing Disclosure

The MSRB hosted a three-part webinar series for municipal securities issuers in 2016, with an emphasis on understanding continuing disclosure. The MSRB encouraged municipal finance staff to keep in mind three “C’s” to assist them in understanding and fulfilling their continuing disclosure obligations:

- **Click** to access free, objective educational resources about disclosure from the online [MSRB Education Center](#).
- **Call** the MSRB’s support line at 202-838-1330 for free expert assistance with submitting continuing disclosure documents.
- **Comply** with federal and contractual disclosure obligations by submitting filings to the EMMA website.

requirements. MuniEdProSM courses are accessible directly from the MSRB’s website or can be integrated with a firm’s in-house learning management platform. The first set of MuniEdProSM courses includes:

- **The Decision to Borrow:** Roles and Responsibilities of Market Participants in Fixed-Rate, Primary Market Offerings
- **Rules and Risks:** Applying MSRB Rules in Relation to Municipal Market Risks

In addition to offering at least four more courses for municipal finance professionals in 2017, the MSRB will produce a free MuniEdProSM course for issuers of municipal securities, as well as one for investors.

MuniEdProSM supplements an extensive library of free educational resources available in the MSRB Education Center on its website at [MSRB.org](#). The MSRB frequently adds new content to the Education Center to address topics of interest to regulated entities, investors and state and local governments.

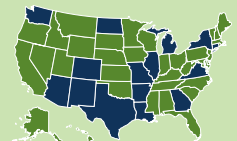
This year, the MSRB published an overview of [Ways to Buy Municipal Bonds](#) to help investors evaluate which of several investment methods may suit them best. A publication called [The Importance of Monitoring Municipal Bonds: What to Know and Where to Find It](#) highlighted ways investors can use the EMMA website to actively monitor an issuer’s financial health and the secondary market trading of their bonds.

For state and local governments, the MSRB provided updated information about what to expect from their municipal advisors and other members of the deal team in a new version of the publication, [Roles and Responsibilities: The Financing Team in an Initial Municipal Bond Offering](#). The [MSRB Issuer Resource Library](#) provides links to the many resources specifically targeted for state and local governments interested in learning more about the municipal bond market, working with financial professionals, complying with continuing disclosure obligations and monitoring their outstanding bonds.

2016 MSRB EDUCATION AND OUTREACH



Participated in 92 industry events to an audience of approximately 13,000 market participants



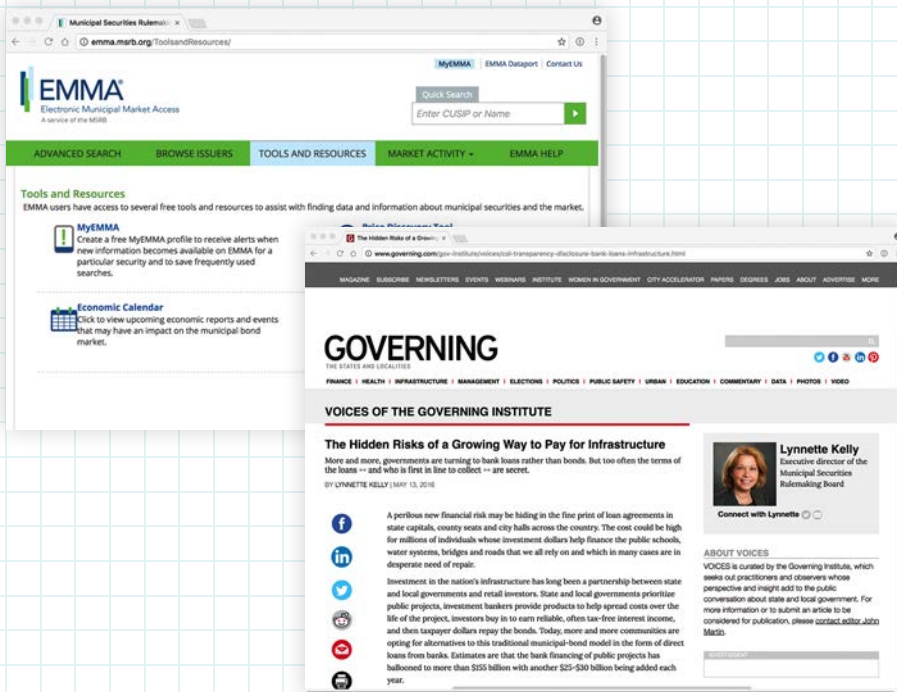
Reached 15 states with issuer education campaign



Hosted 12 free educational webinars



Offered 8 webinars and 2 MuniEdProSM courses for CPE credit



The MSRB also improved the display of bank loan disclosures on EMMA to make them easier for investors to find. A dedicated bank loan disclosure tab is now available on the individually customized “homepage” of issuers that voluntarily submit these filings to EMMA. EMMA’s advanced search function now allows users to search specifically for securities with associated bank loan disclosures.

Economic Calendar

The streamlined bank loan disclosure process was not the only enhancement to EMMA in 2016. The MSRB added an economic calendar to support market participants in considering upcoming macroeconomic events that could have an impact on the trading and issuance of municipal securities. Municipal securities issuers, investors and their financial professionals may want to consult the economic calendar when assessing market activity.

The economic calendar is available in the Tools and Resources section of EMMA, which includes information on setting up a MyEMMA account to receive alerts when new information about a security or group of securities becomes available on EMMA. The section also links to EMMA’s Price Discovery Tool, which enables users to get a sense of the current price of a security that has not traded recently by finding and comparing trade prices of municipal securities with similar characteristics.

Planned Enhancements

In 2017, the MSRB plans to solicit market input to help identify opportunities to further improve the usability of the EMMA website with the goal of making it easier to find information on EMMA, while continuing to enhance the site with new tools and resources.

The MSRB is working to add third-party yield curves to EMMA, as well as a new issue calendar listing the municipal issues scheduled to come to market, integrated with final pricing scales.

EMMA®: Improvements and Usability

To improve the usability of the [EMMA website](#), the MSRB focused its attention last year on planning for the future and responding to market feedback about enhancing EMMA’s continuing disclosure functionality for state and local governments.

Bank Loan Disclosure

In September 2016, in response to feedback from issuer representatives, the MSRB simplified how issuers can submit bank loan disclosures to EMMA. The MSRB hopes that the more streamlined bank loan submission process on EMMA will promote greater disclosure of this important information by municipal securities issuers. The MSRB has long advocated for increased voluntary disclosure of bank loans and alternative financings by municipal bond issuers to enable bondholders and prospective investors to assess an issuer’s creditworthiness and the potential impact of these financings. An on-demand webinar and detailed instructions are available on [MSRB.org](#) to assist municipal entities with the process of submitting bank loan disclosures.

Supporting the Community



As the MSRB concluded its first year in its new corporate office in Washington, DC, the organization took advantage of ways to contribute to the community.

Municipal Finance Day

For the fifth consecutive year, the MSRB partnered with the Municipal Forum of New York on Municipal Finance Day, a program for high school graduates participating in the 2016 Urban Leadership Fellows Program. The program enables New York City's underserved youth to explore careers in finance through a paid summer internship at a financial or finance-related company. With support from the MSRB, program participants visited Washington, DC to merge the practical skills gained at their internships with an understanding of the legal, regulatory and policy implications facing the municipal securities market.

Featured speakers at the July 2016 Municipal Finance Day included Representative Gregory W. Meeks of New York; Hester Pierce, Director, Financial Markets Working Group and Senior Research Fellow, Mercatus Center at George Mason University; and MSRB Executive Director Lynnette Kelly.

LEED Certification

When the MSRB decided to relocate to Washington, DC from Alexandria, VA, the driving force was to further facilitate collaboration and engagement with fellow regulators and municipal market stakeholders. The move also presented an opportunity to prioritize environmental considerations in the design and construction of a new office space. The MSRB's offices are housed in a building certified LEED® Silver in 2011 by the U.S. Green Building Council®, which indicates a strong commitment to "Leadership in Energy and Environmental Design." The MSRB's building at 1300 I Street NW also received an Energy Star label in 2014 and 2015 for its operating efficiency. In addition, the MSRB's suite was designed in accordance with LEED® guidelines for commercial interiors, with a special emphasis on minimizing waste.

Charitable Giving

The MSRB, through its employee council, supports a variety of community organizations. This year, the MSRB adopted families in need during the holiday season, collected books for low-income children, donated pet supplies for an animal rescue and raised funds for at-risk DC youth. MSRB employees also supported a back-to-school fundraising effort.

TOP: Members of the MSRB's employee council deliver stocked backpacks to J.O. Wilson Elementary School.

BOTTOM: Fellows in the 2016 Urban Leadership Program participate in Municipal Finance Day in Washington, DC.

Through its employee council, the MSRB supports a variety of community organizations.

Board of Directors 2016–2017

OFFICERS

Colleen Woodell
Chair

Arthur Miller
Vice Chair

PUBLIC REPRESENTATIVES



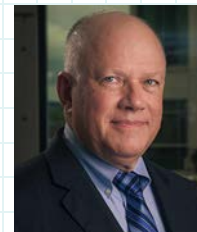
J. Anthony Beard
Chief Financial Officer
City of Atlanta
Atlanta, GA



Robert Clarke Brown
Treasurer
Case Western Reserve
University
Cleveland, OH



Julia H. Cooper
Director of Finance
City of San José
San José, CA



Ronald Dieckman
*Former Senior Vice
President*
J.J.B. Hilliard, W.L. Lyons
Holly Springs, NC



Richard K. Ellis
*Senior Director of
Compliance and
Communications*
Utah Educational
Savings Plan
Salt Lake City, UT



Dall Forsythe
Visiting Scholar
New York University
Wagner School of
Public Service
New York, NY



Richard Froehlich
*Chief Operating Officer
and General Counsel*
New York City Housing
Development Corporation
New York, NY



Mark Kim
Chief Financial Officer
District of Columbia Water
and Sewer Authority
Washington, DC



Christopher M. Ryon
Managing Director
Thornburg Investment
Management
Santa Fe, NM



Rita Sallis
Principal
The Yucaipa Companies
Los Angeles, CA



Colleen Woodell
*Former Chief Credit Officer
of Global Corporate and
Government Ratings*
Standard & Poor's
Baldwin, NY

REGULATED ENTITY REPRESENTATIVES



Steve Apfelbacher
President
 Ehlers and Associates
 Roseville, MN



Renee Boicourt
*Managing Director
 and Partner*
 Lamont Financial
 Services Corporation
 Fairfield, NJ



Jerry W. Ford
President
 Ford & Associates, Inc.
 Tampa, FL



Gary Hall
*Senior Managing Director,
 National Head of Investment
 Banking and Equity Partner*
 Siebert Cisneros
 Shank & Co., LLC
 Oakland, CA



Lucy Hooper
Executive Vice President
 Davenport &
 Company LLC
 Richmond, VA



Kemp J. Lewis
Senior Managing Director
 Raymond James &
 Associates, Inc.
 New York, NY



Arthur Miller
Managing Director
 Goldman Sachs & Co.
 New York, NY



Edward J. Sisk
*Managing Director, Head
 of Public Finance*
 Bank of America
 Merrill Lynch
 New York, NY



Patrick Sweeney
*Senior Vice President and
 Manager of the Municipal
 Securities Department*
 Fidelity Capital Markets
 Boston, MA



Dale Turnipseed
Executive Director
 J.P. Morgan
 New York, NY

MSRB SENIOR MANAGEMENT

Lynnette Kelly
Executive Director

Robert Fippinger
Chief Legal Officer

John Bagley
Chief Market Structure Officer

Elizabeth Wolfe
Chief Financial Officer and Chief Risk Officer

Al Morisato
Chief Operations and Technology Officer

Ritta McLaughlin
Chief Education Officer

Jennifer Galloway
Chief Communications Officer



Lynnette Kelly

Message from the Executive Director

In my nearly 10 years overseeing the operations of the MSRB, one of my primary responsibilities has been to ensure that our organization, created by Congress in 1975, remains financially sound and able to fulfill its statutory obligations for the long-term. This imperative involves rigorous annual budget planning, prudent financial management — including managing appropriate reserve levels — and the ability to recalibrate funding sources to ensure the organization’s financial health or to more equitably allocate fees among regulated entities.

The MSRB assesses fees on its regulated entities in order to fund operations, including rulemaking and policy development, market structure and transparency program operations, and market leadership, outreach and education. Most fee revenue collected by the MSRB is tied to the volume of municipal bond underwriting and transactions, which cannot be predicted with certainty.

At the same time, as a self-regulatory organization that engages in rulemaking and supports transparency programs relied upon by market participants, the MSRB must maintain sufficient reserves to operate the organization without interruption, regardless of market conditions. To ensure that the MSRB is positioned to fulfill its mandate, our financial reserve target is approximately 12 months of operating expenses plus three-times annual capital needs. However, depending on municipal bond underwriting and trading volumes, among other factors, these reserves can fluctuate above or below targeted levels.

In July 2016, the MSRB Board of Directors determined that the MSRB’s reserves had risen above targeted levels and we subsequently rebated \$5.5 million to brokers and dealers who were assessed underwriting, transaction or technology fees based on activity between October 1, 2015 and June 30, 2016. The financial highlights reflect these revenue rebates.

During FY 2016 two fee changes were implemented, including a decrease in the underwriting fees, which are paid primarily by a small number of dealers, and increases in the initial and annual registration fees levied on all regulated entities. The Board strives to appropriately allocate funding across the diverse universe of regulated entities in a manner that ensures long-term organizational sustainability.

Last year’s rebate and fee adjustments demonstrate that the MSRB engages in proactive financial management that is fair and appropriate — and not overly burdensome — based on regulated entities’ participation in the municipal securities market.

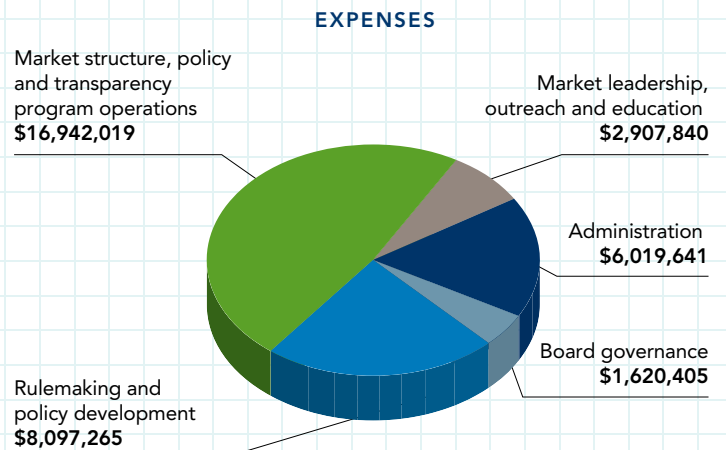
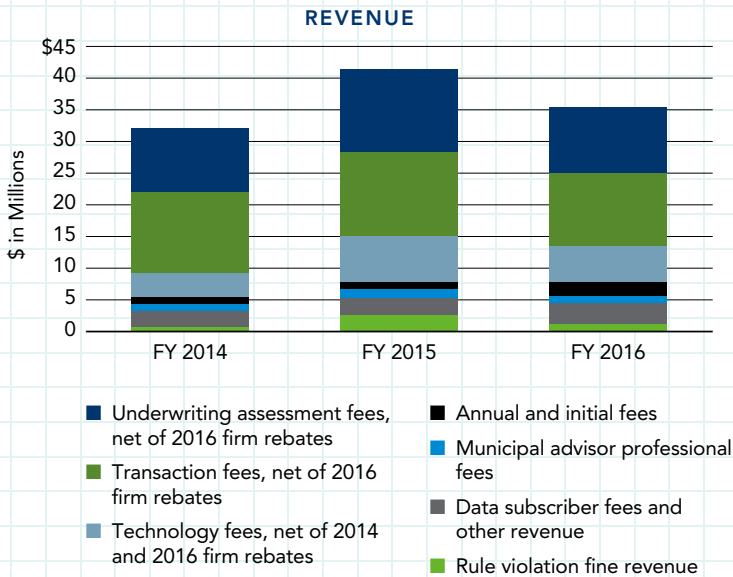
As we head into 2017, you have my commitment that we will continue the strict financial oversight that enables the MSRB to protect the \$3.8 trillion municipal market while striving to allocate the associated costs as fairly and equitably as possible.

Sincerely,

A handwritten signature in blue ink that reads "Lynnette Kelly". The signature is written in a cursive, flowing style.

Lynnette Kelly
Executive Director

FY 2016 Financial Highlights



ANNUAL FINANCIAL HIGHLIGHTS

September 30	2016	2015	2014
Statements of Financial Position			
Total Assets	\$ 79,547,955	\$ 74,829,468	\$ 64,620,381
Total Liabilities	10,233,151	5,314,474	4,231,356
Total Net Assets — Unrestricted	69,314,804	69,514,994	60,389,025
Statements of Activities			
Revenue:			
Underwriting assessment fees, net of firm rebates of \$1.8 million in 2016	10,367,501	12,990,546	9,980,079
Transaction fees, net of firm rebates of \$2.2 million in 2016	11,632,218	13,313,660	12,875,066
Technology fees, net of firm rebates of \$1.5 million in 2016 and \$3.6 million in 2014	5,576,543	7,268,324	3,698,922
Annual and initial fees	2,144,609	1,142,114	1,232,112
Municipal advisor professional fees	1,225,200	1,336,168	968,700
Data subscriber fees and other revenue	3,221,828	2,624,448	2,527,924
Rule violation fine revenue	1,219,081	2,652,316	709,523
Total Revenue	35,386,980	41,327,576	31,992,326
Expenses	35,587,170	32,201,607	29,482,525
Change in Net Assets	\$ (200,190)	\$ 9,125,969	\$ 2,509,801
Statements of Cash Flows			
Cash Provided from Operating Activities	\$ 9,486,966	\$ 12,303,844	\$ 8,341,925
Investment in Technology Systems and Other Fixed Assets	\$ 8,826,669	\$ 4,709,614	\$ 3,738,477

These highlights are supported by the audited financial statements, which are available on the MSRB's website at msrb.org/About-MSRB.



CORPORATE OFFICE
Municipal Securities
Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005
202-838-1500

MSRB SUPPORT
202-838-1330
MSRBsupport@msrb.org

ONLINE
msrb.org
emma.msrb.org
Twitter: [@MSRB_News](https://twitter.com/MSRB_News)