



Municipal Securities Rulemaking Board

Delivering Value to the Municipal Securities Market



2023 ANNUAL REPORT

MESSAGE FROM LEADERSHIP



Established by Congress as a private, self-regulatory organization (SRO), the MSRB is proud to serve as the principal regulator of the municipal securities market, working to protect investors, issuers and the public interest by promoting a fair and efficient market. We have faithfully fulfilled this Congressional mandate for nearly 50 years, helping to strengthen the \$4 trillion market that provides access to the capital necessary to build roads, schools, hospitals and other essential public infrastructure in tens of thousands of communities across the country.

The value the MSRB delivers to the municipal securities market rests on the independence and expertise that are the defining features of our SRO model. Our governing board comprises municipal market experts—investors, issuers, dealers and municipal advisors, and others—whose knowledge and perspectives are essential to ensuring not only that the MSRB’s rules are necessary and appropriate, but also that they are fair and balanced.

The MSRB also delivers value to the market through our market transparency products and services. We operate the critical technology systems that allow our market to function, and we enhance market transparency by serving as the central and sole repository for market data and making this information available to the public for free on our Electronic Municipal Market Access (EMMA®) website.

Our commitment to transparency extends to our own corporate governance and fiscal stewardship. We uphold the public’s trust by being transparent about our regulatory priorities and by consistently engaging with market stakeholders as we advance key initiatives. And we are transparent about how we allocate and spend the resources we receive from regulated entities by publishing an annual budget report and audited financial statements on our website. In response to stakeholder feedback, we are providing additional detail in our annual budget report this year about our technology expenses.

Now midway through our fiscal year (FY) 2022–2025 Strategic Plan, we have advanced a number of key initiatives that we believe will deliver significant value to the market in the coming years.

- **Modernizing Municipal Market Regulation and the MSRB Rule Book.** In 2023, the MSRB continued to work with fellow regulators to enhance post-trade transparency in the municipal market and to modernize and streamline the MSRB rule book. Among other initiatives, we advanced a rule proposal to shorten the timeframe for trades to be reported to the MSRB, facilitated the transition to T+1 settlement for municipal securities transactions in coordination with other financial regulators, and created a new rule establishing the core standards of conduct for solicitor municipal advisors. We also advanced steps that will codify or retire approximately 20% of the MSRB’s body of interpretive guidance since launching the MSRB rulebook modernization initiative in 2021, significantly reducing the compliance burden on regulated entities of sifting through the guidance to understand MSRB rules and their applications to modern market practices.

- Enhancing Market Transparency through Technology and Data.** We made important user-driven enhancements to the EMMA platform to enhance the accuracy and quality of the information available on EMMA and to provide additional market transparency for market participants, including adding an hourly municipal yield curve and retiring individual user accounts to give issuers greater control of their information. We also introduced a new structured data lab in EMMA Labs, the MSRB’s innovation sandbox, with the goal of educating municipal market participants about structured data by defining key concepts and terms, providing informative case studies from municipal issuers and demonstrating one possible application of structured data in a future state version of EMMA.
- Advancing the Public Trust through Transparency and Accountability.** In 2023, the MSRB implemented a new process to establish fees on regulated entities with the introduction of a rate card model, which annually adjusts rates to better manage market volatility and the MSRB’s reserve fund. As noted in our annual budget, our reserve balance is now projected to be on target and nearly half what it was only three years ago. We are confident that with our new rate card model, we will be able to better manage our reserves and avoid the accumulation of excess reserves going forward. Equally important, the MSRB’s new process for assessing rates provides greater transparency into the rate-setting process as well as greater accountability to the regulated entities that pay those fees by automatically returning any operating surplus in one year in the form of lower rates the following year.

Looking ahead, we remain committed to delivering value and upholding the public’s trust by promoting a fair and efficient municipal securities market. This means we will continue to invest in the critical technology needed to provide transparency to the market and to adopt new rules and amend our existing rules as necessary to make sure they reflect changing market practices. We remain guided by our vision to give America the confidence to invest in its communities.

Sincerely,



Meredith L. Hathorn, *Board Chair*



Mark T. Kim, *Chief Executive Officer*

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Delivering Value by Modernizing Market Regulation

For the municipal securities market to remain healthy and fair as market practices evolve and new challenges emerge, the MSRB must continually review our rules and associated guidance to ensure they keep pace and continue to meet their intended objectives effectively and efficiently as a cohesive, modernized rulebook. In doing so, we must also coordinate our efforts with those of fellow regulators to promote regulatory harmony with other capital markets. This is just one of the ways the MSRB provides value to the municipal market.

In 2023, the MSRB advanced several initiatives to enhance post-trade transparency and to modernize and streamline the rule book. Perhaps the most impactful of these initiatives was advancing an important change to our trade reporting rule to increase price transparency in the municipal securities market. In coordination with the Financial Industry Regulatory Authority (FINRA), the MSRB Board of Directors voted to seek SEC approval of amendments to MSRB Rule G-14 to shorten the timeframe for trades to be reported to the MSRB from 15 minutes to as soon as practicable, but no later than one minute, subject to certain exceptions for firms with limited trading activity in municipal securities and for manual trades. The MSRB relied on extensive analysis of trade data and stakeholder feedback to inform the proposed move to a one-minute standard for trade reporting. Once filed with and approved by the SEC, and upon full implementation by market participants, the MSRB believes this initiative will achieve greater price transparency for investors who rely on this information to make informed decisions when buying or selling municipal bonds.



OTHER REGULATORY PROPOSALS THE MSRB ADVANCED OR IMPLEMENTED IN RESPONSE TO EVOLVING MARKET PRACTICES INCLUDE:

Creating a new rule, MSRB Rule G-46, establishing the core standards of conduct for solicitor municipal advisors and accompanying recordkeeping requirements.

Adopting amendments to MSRB Rules G-12, on processing, clearance and settlement of municipal securities transactions, and G-15, on transaction confirmations, to define regular-way settlement for municipal securities transactions as occurring one business day after the trade date ("T+1"), aligning with the transition to T+1 settlement for equities and corporate bonds under SEC Rule 15c6-1 in May 2024.

Implementing amendments to MSRB Rule G-40 on municipal advisor advertising permitting municipal advisors to use testimonials in advertisements, subject to certain conditions, and establishing additional supervisory obligations and records to be maintained with respect to the use of testimonials.

Advancing amendments to MSRB Rule G-47 regarding time of trade disclosure, codifying existing guidance into the rule and retiring guidance that no longer reflected market practices, as well as seeking industry input on potential clarification of the definition of sophisticated municipal market professionals in Rule D-15.

Issuing a request for comment on draft amendments to MSRB Rule G-12 to codify into the rule text a large body of interpretive guidance on confirmation disclosure requirements for inter-dealer municipal securities transactions ineligible for automated comparison, which would allow the MSRB to retire nearly 40 pieces of interpretive guidance, some dating back decades.



Delivering Value by Enhancing Market Transparency through Technology

Another important way the MSRB provides value to the municipal securities market is by operating the EMMA website, the municipal securities market's central and sole repository of municipal market data and disclosure documents. For more than 15 years, EMMA and related technology systems have powered the market and provided transparency for investors, issuers and all market participants by providing municipal market information for free to the public. In 2018, the MSRB embarked on the largest investment in technology in our nearly 50-year history, starting with an enterprise-wide migration to the cloud, completed in 2020, and culminating in a total redesign of the entire EMMA user experience, on track to be completed in 2025.

As we progress along our systems modernization journey, the MSRB is leveraging the power of cloud computing to improve the transparency EMMA provides and to enhance the reliability and security of our systems for all market participants. In 2023, our efforts to upgrade EMMA focused on implementing several user-driven enhancements to the website and to the disclosure submission process. These included:

- Phasing out individual user accounts to ensure that issuers have better control of the information associated with their securities;
- Enhancing the free daily yield curves and indices available with hourly updates from Bloomberg's BVAL AAA Municipal Curve, as well as tables with monthly data, providing users with more information to guide their investment decisions; and
- Eliminating unused CUSIPs (unique identifiers for bonds) and ensuring that only CUSIPs associated with existing securities appear on EMMA.

Looking ahead, the MSRB is working on redesigning the EMMA user experience, making it more personalized to the needs of the user. This work is based on a significant amount of engagement with different stakeholders, including issuers, investors, dealers, municipal advisors and other market participants, as well as outside experts who understand the user experience and effective web design to help us rethink the entire EMMA experience. Future enhancements include upgrading the search function to help users find the data and information they need more quickly and efficiently, including the ability to search by obligor; adding alerts and fixing common pain points on the MyEMMA alert service; and updating the continuing disclosure submission process to further enhance how issuer information is displayed on EMMA.



Delivering Value through High Quality Market Data

The MSRB collects and publicly disseminates millions of data points on municipal securities trades, issuers and the broader market, which market participants depend on to issue, trade and invest in municipal securities. We are deeply committed to providing value to our market through data governance, data quality and data analytics that empower market participants to make better decisions and fuel innovation for the future.

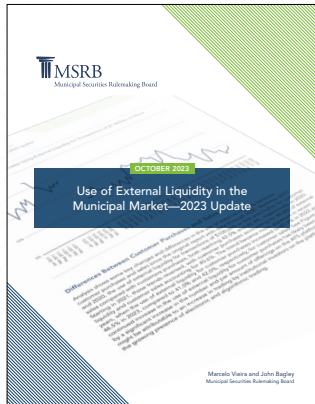
In 2023, the MSRB continued to work on enhancing the availability, quality and usability of municipal securities market data on the EMMA platform, and our investment in cloud computing has been critical to this effort. An important part of this work was the development of a new structured data lab in EMMA Labs, the MSRB's free innovation sandbox for transparency enhancements to the municipal securities market.

The new lab seeks to educate municipal market participants about the nature and benefits of structured data by defining key related concepts, providing informative case studies from municipal issuers who have used structured data in their financial reporting and by demonstrating one possible application of this type of data on EMMA. The ultimate goal of this lab is to provide municipal market participants useful background information for constructively engaging in policy conversations in this critical area.

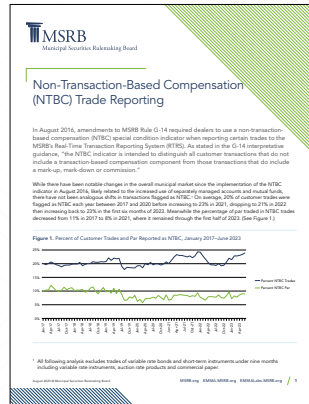
EMMA Labs was launched in 2022 featuring two labs: a powerful search engine that enables keyword searches across the hundreds of thousands of disclosure documents submitted to EMMA as unstructured PDFs and a dynamic dashboard for market data analysis that empowers users to discover and visualize market trends. These labs, some of which may eventually be deployed on the future state EMMA, illustrate the potential of the EMMA website to continue to evolve and deliver insights and disruptive impacts in the market.

Generating Insights from Municipal Market Data

The MSRB’s market structure team analyzes the data the MSRB collects to identify trends and inform regulatory decision-making, and publishes research and data reports to assist policymakers, market participants, the media and the general public in understanding the municipal securities market. Over the last year, in addition to quarterly summaries of key developments in the municipal securities market, the team delivered important insights, including:



Use of External Liquidity in the Municipal Market—2023 Update, which examines the use of external liquidity in the municipal securities market and changes since the MSRB’s November 2021 report.



Non-Transaction-Based Compensation (NTBC) Trade Reporting, where MSRB experts analyzed how municipal securities trades tagged with a non-transaction-based-compensation (NTBC) indicator have changed since 2016, when the MSRB began requiring reporting of such trades.



What Has Driven the Surge in Transaction Costs for Municipal Securities Investors Since 2022?, which indicates a rise in customer transaction costs for municipal securities since early 2022 likely due to the steep decline in bond prices triggered by rising interest rates and market volatility.



Trading Patterns in the Primary vs. Secondary Market for Municipal Bonds, which identifies possible reasons for different patterns in customer trades in the primary and secondary markets for municipal bonds.



Municipal Variable-Rate Demand Obligations and Auction-Rate Securities (2009–2022), which provides transparency into the municipal variable rate securities market.



2022 Municipal Market Year in Review, which provides a detailed analysis of the municipal market highlighting significantly higher interest rates, record outflows from tax-exempt mutual funds and a record number of trades.



Delivering Value through Education and Stakeholder Outreach

The MSRB provides foundational education on municipal bonds and the municipal securities market, instructional materials on using the MSRB’s market transparency systems, data-driven resources to guide informed decision making, and tailored compliance resources to assist regulated entities with MSRB rules.

Hundreds of educational resources are available for investors, issuers and regulated entities to access for free on our website. New additions to the MSRB.org Education Center in 2023 included: updated compliance on-demand webinars on mark-up disclosure and MSRB Rule G-42 on conduct standards for municipal advisors, a new resource on municipal bond basics, a revised resource for investors on ways to buy municipal bonds, and one for issuers on establishing priority of orders when issuing municipal bonds, among other materials.

As part of a continuous effort to improve the accessibility of information on the website, in fall 2023 the MSRB developed a series of curated web pages to address the different educational needs of investors, issuers and regulated entities. These include paths to resources for investors new to the municipal market, for state and local governments issuing municipal bonds, as well as to resources on how to use the EMMA website to monitor or manage bonds. Other web pages provide education on 529 plans and ABL programs and quick links to information on municipal market trends and compliance resources available on MSRB.org.

In addition, the MSRB participated in numerous outreach events with stakeholders, where our subject matter experts provided tutorials on EMMA and EMMA Labs, guidance on regulatory compliance, and education on market trends and research.





Delivering Value by Advancing the Public Trust

As the SRO charged with protecting and strengthening the municipal securities market, the MSRB is committed to upholding the public trust by being transparent about our regulatory initiatives and our financial management, as well as by continuously engaging with market stakeholders as we work to advance our multi-year strategic plan. Our commitment to upholding the public trust includes promoting diversity, equity and inclusion, both within the organization as well as in the market we serve.

Fiscal transparency is a cornerstone of trust. For years, the MSRB has published an annual budget report to provide greater insight into our projected revenues, expenses and reserve funds. Our FY 2024 budget report highlights the MSRB’s funding philosophy, investments in the market transparency and technology systems that power our market, and the new rate-setting process that was implemented in FY 2023.

The MSRB now uses a rate card, which factors in actual and expected market activity to automatically adjust certain rates assessed on regulated entities each year. This system, by ensuring a timely return of any surplus revenue via rate adjustments in the following year, maintains fairness and provides greater transparency on expenses for regulated entities, and will better manage the organization’s reserve funds, avoiding the buildup of excessive reserves going forward.

Key to transparency is accessibility and ease of use. To that end, we also now publish our financial statements as structured data, which can be accessed on our website. By offering



our financial statements in a machine readable format, the MSRB is adopting best practices in financial management and providing its stakeholders the ability to easily access and analyze the MSRB's historical revenue and expense trends and patterns.

The MSRB's efforts to foster diversity and inclusion in the municipal securities market start within the organization. After casting a wide net to identify a new class of market experts to join our Board of Directors, we are pleased to report that more than half of current Board members are women and more than a third are members of a racial minority. And with members from all regions of the United States and firms of various sizes and types, our Board represents the broad range of perspectives that exist in our market.

In addition to prioritizing diversity and inclusion in the composition of the Board itself, the MSRB seeks to broaden its accessibility and engagement with diverse market participants so that all viewpoints, concerns and expertise are heard, and our initiatives are truly representative of the market we serve. The MSRB considered insights gleaned from a series of roundtable discussions conducted with minority-, women- and veteran-owned firms in coordination with fellow regulator, FINRA, about the particular business models, challenges and pain points of diverse firms operating in the municipal market. We learned that many of the challenges these firms face are similar to issues faced by other small firms and not specific to the make-up of their ownership. We are including those insights in relevant educational materials and are planning additional outreach to better understand small firms' unique challenges, including whether some of our rules are having an adverse impact on these firms. We are also seeking industry input through a request for information on the impact of MSRB rulemaking and other activities on small firms to better inform us in our regulatory and transparency work going forward.

Additionally, the MSRB again supported underserved high school students interested in public finance careers by hosting Municipal Finance Day in partnership with the Municipal Forum of New York's Urban Leadership Fellows Program and the Chicago Summer Business Institute's program.

Finally, the MSRB is committed to making a difference in our local Washington, D.C., community through volunteer and fundraising activities. MSRB staff participated in a local Cycle for Survival drive to raise money for rare cancer research. They also came together to bring holiday joy to children and adult survivors of domestic violence by donating to the Sponsor a Family gift card drive of an organization that serves as a cornerstone of Washington, D.C.'s response to domestic violence.

BOARD COMPOSITION

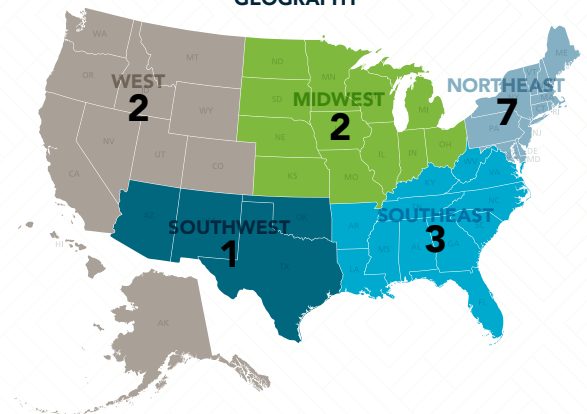
GENDER



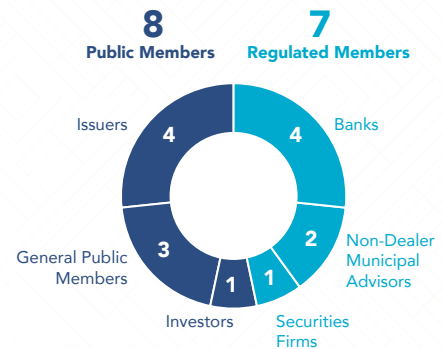
RACE



GEOGRAPHY



MEMBER TYPE



*Not Hispanic or Latino.

BOARD OF DIRECTORS 2023–2024

MSRB is governed by a [Board of Directors](#) that consists of 15 members, including eight public members and seven regulated members, all of whom have deep expertise in the municipal securities market.

OFFICERS

Meredith L. Hathorn
Chair

Angelia Schmidt
Vice Chair

PUBLIC REPRESENTATIVES



David Belton
Retired
Madison, Wisconsin



Jennie Huang Bennett
*Associate Vice President
for Finance*
University of Chicago
Chicago, Illinois



Michael Craft
Senior Credit Analyst
Genworth Financial Inc.
Stamford, Connecticut



Pamela Frederick
*Chief Financial Officer
and Treasurer*
Battery Park City Authority
New York, New York



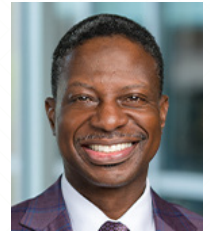
Meredith L. Hathorn
Managing Partner
Foley & Juddell, LLP
Baton Rouge, Louisiana



Katano Kasaine
*Assistant General Manager
and Chief Financial Officer*
Metropolitan Water District
of Southern California
Los Angeles, California



Thalia Meehan
Retired
Boston, Massachusetts



Horatio Porter
*Chief Financial Officer and
Assistant Executive Director
of Finance*
North Texas Tollway
Authority (NTTA)
Plano, Texas

SECURITIES FIRM REPRESENTATIVE



Warren "Bo" Daniels
*Managing Director and
Head of Public Finance*
Loop Capital Markets
Atlanta, Georgia

MUNICIPAL ADVISOR REPRESENTATIVES



Wendell G. Gaertner
Senior Managing Director
Public Resources Advisory
Group, Inc.
St. Petersburg, Florida



Liz Sweeney
President and Founder
Nutshell Associates, LLC
Lutherville-Timonium,
Maryland

BANK REPRESENTATIVES



Alexander Chilton
Managing Director, Head
of Municipal Securities
Morgan Stanley
New York, New York



Christopher A. Kendall
Managing Director, Fixed
Income Trading
Charles Schwab and
Company, Inc.
Denver, Colorado



Natasha A. Holiday
Managing Director and
Head of the New York
Office
RBC Capital Markets
New York, New York



Angelia Schmidt
Managing Director and
Head of Underwriting
UBS
New York, New York

MSRB SENIOR LEADERSHIP



Mark T. Kim
Chief Executive Officer



Omer Ahmed
Chief Financial Officer



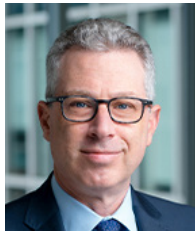
Brian Anthony
Chief Product Officer



John A. Bagley
Chief Market Structure
Officer



Ernesto A. Lanza
Chief Regulatory and
Policy Officer



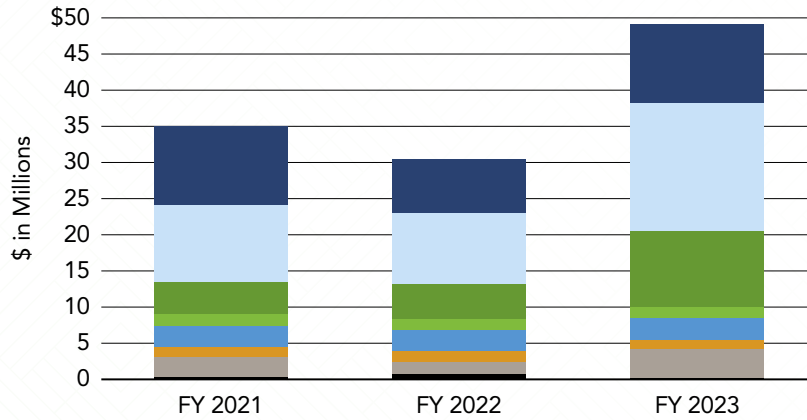
Jacob Lesser
General Counsel



John Toye
Chief Information Officer

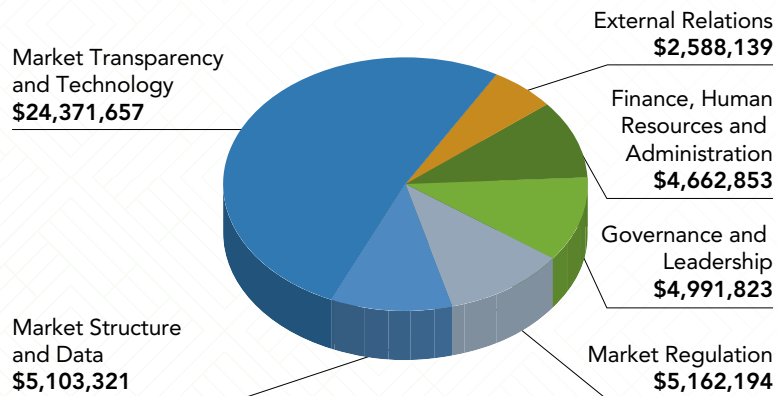
2023 FINANCIAL HIGHLIGHTS

REVENUE



- Underwriting fees (twelve months of temporary fee reductions in 2022, six months in 2021)
- Transaction fees (twelve months of temporary fee reductions in 2022, six months in 2021)
- Trade count fees (twelve months of temporary fee reductions in 2022, six months in 2021)
- Annual and initial fees
- Municipal advisor professional fees
- 529 plan underwriting fees
- Data subscriber fees and other revenue
- Rule violation fine revenue

EXPENSES



<i>September 30</i>	2023	2022	2021
Statements of Financial Position			
Total Assets	\$ 76,222,195	\$ 68,082,981	\$ 78,531,119
Total Liabilities	17,515,794	11,570,964	10,936,216
Total Net Assets—Without Restrictions	\$ 58,706,401	\$ 56,512,017	\$ 67,594,903
Statements of Activities			
Revenue:			
Underwriting fees (twelve months of temporary fee reductions in 2022, six months in 2021)	\$ 10,886,294	\$ 7,439,316	\$ 11,047,685
Transaction fees (twelve months of temporary fee reductions in 2022, six months in 2021)	17,714,887	9,942,109	10,551,879
Trade count fees (twelve months of temporary fee reductions in 2022, six months in 2021)	10,507,502	4,777,373	4,498,381
Annual and initial fees	1,494,000	1,531,000	1,623,000
Municipal advisor professional fees	3,030,360	2,937,000	2,945,000
529 plan underwriting fees	1,269,753	1,497,483	1,331,954
Data subscriber fees and other revenue	4,017,881	1,590,283	2,777,994
Rule violation fine revenue	153,694	761,500	321,587
Total Revenue	49,074,371	30,476,064	35,097,480
Expenses	46,879,987	41,558,950	41,164,114
Change in Net Assets	\$ 2,194,384	\$ (11,082,886)	\$ (6,066,634)
Statements of Cash Flows			
Cash Provided (Used) from Operating Activities	\$ 1,657,256	\$ (5,333,455)	\$ 3,505,534
Cash Investment in Technology Systems and Other Fixed Assets	\$ 6,294,438	\$ 7,892,994	\$ 4,329,736



Financial Statements as of and for the Years Ended September 30, 2023 and 2022

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View the MSRB's Financial statements in a machine readable format on [MSRB.org](https://www.msrb.org).



Report of Independent Auditors

To the Board of Directors of The Municipal Securities Rulemaking Board

Opinion

We have audited the accompanying financial statements of The Municipal Securities Rulemaking Board (the "MSRB"), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the MSRB as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MSRB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the MSRB changed the manner in which it accounts for leases in 2023. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the MSRB's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

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omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MSRB's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the MSRB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Washington, District of Columbia December 21, 2023

PricewaterhouseCoopers LLP, 655 New York Ave NW, Suite 1100, Washington, District Of Columbia 20001
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STATEMENTS OF FINANCIAL POSITION

<i>September 30, 2023 and 2022</i>	2023	2022
ASSETS		
Cash and cash equivalents	\$ 3,494,056	\$ 3,874,774
Accounts receivable, net	6,716,651	4,095,489
Prepaid and other assets	2,063,241	1,773,604
Accrued interest receivable	229,576	143,608
Investments	39,476,522	43,210,869
Operating lease right-of-use asset	7,108,454	—
Fixed assets, net	17,133,695	14,984,637
TOTAL ASSETS	\$ 76,222,195	\$ 68,082,981
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 4,028,668	\$ 4,806,635
Accrued vacation payable	1,195,938	1,145,548
Data subscription contract liabilities	359,508	290,847
Capital lease liability	2,151	2,988
Deferred rent	—	5,324,946
Operating lease liability	11,929,529	—
Total liabilities	17,515,794	11,570,964
Undesignated net assets	51,870,550	47,388,732
Board designated, systems modernization fund	6,835,851	9,123,285
Net assets — without restrictions	58,706,401	56,512,017
TOTAL LIABILITIES AND NET ASSETS	\$ 76,222,195	\$ 68,082,981

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF ACTIVITIES

<i>For the years ended September 30, 2023 and 2022</i>	2023	2022
REVENUE:		
Underwriting fees	\$ 10,886,294	\$ 7,439,316
Transaction fees	17,714,887	9,942,109
Trade count fees	10,507,502	4,777,373
Annual and initial fees	1,494,000	1,531,000
Data subscriber fees	2,386,429	2,440,175
Municipal advisor professional fees	3,030,360	2,937,000
529 plan underwriting fees	1,269,753	1,497,483
Rule violation fine revenue	153,694	761,500
Other income (loss)	1,631,452	(849,892)
Total Revenue	49,074,371	30,476,064
EXPENSES:		
Market Regulation	5,162,194	4,284,828
Market Transparency and Technology	24,371,657	20,985,107
Market Structure and Data	5,103,321	4,304,822
External Relations	2,588,139	2,859,448
Governance and Leadership	4,991,823	4,865,925
Finance, Human Resources and Administration	4,662,853	4,258,820
Total Expenses	46,879,987	41,558,950
CHANGE IN NET ASSETS	2,194,384	(11,082,886)
NET ASSETS — Beginning of year	56,512,017	67,594,903
NET ASSETS — End of year	\$ 58,706,401	\$ 56,512,017

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended September 30, 2023

	Program Activities					Supporting Activities		
	Market Regulation	Market Transparency and Technology	Market Structure and Data	External Relations	Program Totals	Governance and Leadership	Finance, Human Resources and Administration	Total Expenses
Compensation of current officers, directors, other salaries and employee benefits	\$ 4,037,063	\$ 9,448,276	\$ 3,672,352	\$ 1,420,374	\$ 18,578,065	\$ 3,576,248	\$ 3,259,582	\$ 25,413,895
Fees for services	177,876	2,668,205	644,253	606,314	4,096,648	492,196	428,620	5,017,464
Information technology	106,596	5,455,016	137,424	164,154	5,863,190	97,630	180,420	6,141,240
Occupancy	355,426	981,331	340,759	126,203	1,803,719	242,112	279,596	2,325,427
Travel and meetings	270,531	9,756	3,137	48,363	331,787	244,647	88,670	665,104
Depreciation and amortization	81,600	3,980,833	78,233	28,974	4,169,640	55,583	64,191	4,289,414
Insurance	32,578	87,253	31,234	11,568	162,633	177,135	25,628	365,396
Data and information services	29,141	1,174,706	59,003	7,689	1,270,539	—	—	1,270,539
Dues, registration and training	10,169	45,147	12,207	3,785	71,308	32,139	61,650	165,097
Property and other taxes	10,475	351,846	63,831	76,868	503,020	8,781	21,099	532,900
Office and other expenses	50,739	169,288	60,888	93,847	374,762	65,352	253,397	693,511
Total Expenses	\$ 5,162,194	\$ 24,371,657	\$ 5,103,321	\$ 2,588,139	\$ 37,225,311	\$ 4,991,823	\$ 4,662,853	\$ 46,879,987

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended September 30, 2022

	Program Activities					Supporting Activities		
	Market Regulation	Market Transparency and Technology	Market Structure and Data	External Relations	Program Totals	Governance and Leadership	Finance, Human Resources and Administration	Total Expenses
Compensation of current officers, directors, other salaries and employee benefits	\$ 3,491,985	\$ 8,696,963	\$ 3,307,397	\$ 1,444,906	\$ 16,941,251	\$ 3,584,533	\$ 2,965,776	\$ 23,491,560
Fees for services	72,703	2,352,130	297,383	837,636	3,559,852	425,986	428,699	4,414,537
Information technology	94,881	3,743,931	110,016	214,172	4,163,000	97,456	168,243	4,428,699
Occupancy	333,151	939,189	325,067	133,614	1,731,021	253,708	276,764	2,261,493
Travel and meetings	66,101	10,798	2,813	26,447	106,159	177,088	49,463	332,710
Depreciation and amortization	69,825	3,405,795	68,131	28,004	3,571,755	53,175	58,007	3,682,937
Insurance	30,581	84,368	29,839	12,265	157,053	176,335	25,405	358,793
Data and information services	28,347	1,173,884	40,159	6,583	1,248,973	—	—	1,248,973
Dues, registration and training	13,316	45,362	18,092	1,320	78,090	6,179	44,230	128,499
Property and other taxes	11,799	321,901	38,978	60,930	433,608	11,215	17,759	462,582
Office and other expenses	72,139	210,786	66,947	93,571	443,443	80,250	224,474	748,167
Total Expenses	\$ 4,284,828	\$ 20,985,107	\$ 4,304,822	\$ 2,859,448	\$ 32,434,205	\$ 4,865,925	\$ 4,258,820	\$ 41,558,950

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,194,384	\$ (11,082,886)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,289,414	3,682,937
Net loss on disposal of long-lived assets	7,864	53,485
Unrealized (gains) losses on investments	(492,866)	1,909,054
Realized (gains) losses on investments	(30,105)	15,605
Bad debt expense	25,744	8,360
Changes in assets and liabilities:		
Accounts receivable	(2,646,906)	(255,055)
Prepaid and other assets	(273,637)	(200,695)
Accrued interest receivable	(85,968)	48,070
Operating lease activity	(503,871)	—
Accounts payable and accrued liabilities	(945,848)	834,780
Accrued vacation payable	50,390	(21,366)
Data subscription contract liabilities	68,661	76,147
Deferred rent	—	(401,891)
Net cash provided (used) by operating activities	1,657,256	(5,333,455)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of long-lived assets	(6,294,438)	(7,892,994)
Purchases of investments	(13,682,057)	(14,544,358)
Maturities of investments	17,939,375	26,800,000
Net cash provided (used) in investing activities	(2,037,120)	4,362,648
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of lease obligation	(854)	(763)
Net cash used in financing activities	(854)	(763)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(380,718)	(971,570)
CASH AND CASH EQUIVALENTS, Beginning of year	3,874,774	4,846,344
CASH AND CASH EQUIVALENTS, End of year	\$ 3,494,056	\$ 3,874,774
SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Accrual of long-lived assets	\$ 319,238	\$ 151,339

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2023 AND 2022

1. NATURE OF OPERATIONS

The Municipal Securities Rulemaking Board (MSRB) was created by Congress under the 1975 Amendments to the Securities Exchange Act of 1934, and the authority of the MSRB was expanded by further amendments to the Exchange Act under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (as amended, the Exchange Act). The MSRB is incorporated as a not-for-profit, non-stock corporation pursuant to the laws of the Commonwealth of Virginia. Under the Exchange Act, the MSRB is a self-regulatory organization (SRO) with authority to adopt rules regulating the municipal securities activities of brokers, dealers and municipal securities dealers, and the municipal advisory activities of municipal advisors (collectively referred to as "regulated entities"), to promote fair and efficient markets and to protect investors, municipal entities, obligated persons and the public interest. The MSRB collects and disseminates market information, operates the Electronic Municipal Market Access (EMMA[®]) website to promote transparency and widespread access to information, and also engages with stakeholders on a variety of topics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation — The MSRB's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and are presented pursuant to Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities (ASC 958). The MSRB is required to report the following net asset classifications:

- Net assets without restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the MSRB. These net assets may be used at the discretion of MSRB's management and the Board.
- Net assets with restrictions: Net assets subject to stipulations imposed by donors and grantors. The MSRB does not have donor restricted net assets.

Recently Adopted Accounting Standards — In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This Standard was introduced to enhance transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on their financial statements. It also mandates the disclosure of essential information about leasing arrangements. Under this update, lessees are now obligated to include in their financial statements a liability for lease payments and a right-of-use asset (ROU) representing their right to use the leased asset, whether it's an operating or finance lease. Additionally, the statement of activities should now reflect lease expenses for operating leases and amortization plus interest expenses for financing leases.

In 2018, FASB issued ASU 2018-11, Targeted Improvements, which introduced an optional transition method. This method allows entities to adopt ASC 842 retrospectively at the start of the adoption period. The MSRB chose this transition method when adopting the standard on October 1, 2022. This adoption did not result in a cumulative-effect adjustment to the net assets without restrictions. Under this approach, comparative prior periods remain unaltered, in line with the MSRB's historical accounting policy.

As of October 1, 2022, the MSRB recognized an operating lease ROU asset of \$7.6 million, inclusive of a \$5.3 million deferred rent adjustment, and an operating lease liability of \$12.9 million. As of September 30, 2023, the amortized balances of the operating lease ROU asset and the operating lease liability were \$7.1 million and \$11.9 million, respectively.

The MSRB elected certain practical expedients when implementing the standard. These expedients allow the MSRB to avoid reassessing whether expired or existing contracts constitute leases, the lease classification of such leases, and the initial direct costs of existing leases as of the effective date. The MSRB also elected to combine lease and related non-lease components and to exclude a ROU asset or liability for short-term contracts, defined as those with a term of twelve months or less.

The MSRB has adopted Accounting Standards Update (ASU) 2018-15 - Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 250-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and

hosting arrangements that include an internal-use software license). The MSRB adopted the standard on October 1, 2021, using the prospective transition approach, under which we apply the guidance to all eligible costs incurred subsequent to adoption and therefore no changes to the previously issued audited financial statements were required.

Fair Value Measurement — The MSRB measures fair value in accordance with the provisions of Financial Accounting Standards Board (FASB) ASC 820, Fair Value Measurement, which provides a common definition of fair value for GAAP, establishes a framework for measuring fair value, provides a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements.

Cash Equivalents — Highly liquid investments with maturities of three months or less at the date of purchase are considered to be cash equivalents. Included in cash equivalents are short term money market mutual funds fully invested in securities backed by the full faith and credit of the United States (U.S.) Government with a total fair market value of approximately \$2.6 million and \$2.1 million at September 30, 2023 and 2022, respectively.

Investments — Investments are stated at fair value. Investments consist of U.S. Treasury notes, obligations of U.S. government sponsored enterprises that are fully guaranteed by the U.S. Government, and certificates of deposit that are FDIC insured.

Accounts Receivable and Allowance for Doubtful Accounts — Accounts receivable are recorded at invoiced amounts and do not bear interest. Accounts receivable are reported net of an allowance for doubtful accounts in the statements of financial position. Management's estimate of the allowance for doubtful accounts is based on historical collection experience and ongoing account reviews. Account balances are written off against the allowance once the potential for recovery is considered remote.

Concentration of Credit Risk — Financial instruments that potentially subject the MSRB to a concentration of credit risk consist principally of cash, cash equivalents, accounts receivable and investments. The MSRB maintains cash primarily in non-interest-bearing accounts with FDIC insurance up to \$250,000 with balances at one financial institution exceeding the FDIC limit by approximately \$647,000 and \$1,525,000 at September 30, 2023 and 2022, respectively. MSRB investments are backed by the full faith and credit of the U.S. Government, or its fully guaranteed government sponsored enterprises. Accounts receivable consist of fees due from regulated entities and data subscribers. At times, there are certain significant balances due from regulated entities but the MSRB does not believe it is exposed to any significant credit risk on these balances. Eight regulated entities accounted for approximately one-third of total fee revenue in fiscal years 2023 and 2022.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used in accounting for, among other things, realization of accounts receivable, the carrying value of investments, the impairment of long-lived assets, and the capitalization of internally developed software costs. Actual results could differ from those estimates.

Fixed Assets — Computer and office equipment, as well as furniture and fixtures, are recorded at cost and are depreciated using the straight-line method over three years and five years, respectively. Acquisition costs include all expenses necessary to prepare the asset for its intended purpose including direct labor related costs. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease period or the estimated useful life of the improvement. Improvements and replacements of fixed assets are capitalized. Maintenance and repairs that do not improve or extend the lives of fixed assets are charged to expense as incurred.

When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the statements of activities.

Capitalized Software Costs — The MSRB capitalizes certain costs associated with computer software developed or obtained for internal use as part of the MSRB information systems. The MSRB's policy provides for the capitalization of external direct costs of materials and services and direct payroll-related costs incurred during the application development stage as well as costs related to upgrades and enhancements to this software provided it is probable that these expenditures will result in additional functionality. Costs associated with preliminary project stage activities, training, maintenance and post implementation stage activities are expensed as incurred.

After all substantial testing and deployments are completed and the software is ready for its intended use, internally developed software costs are amortized using the straight-line method over three or five years, depending upon the expected useful life.

Software as a Service Implementations — As we continue to modernize systems and advance our Strategic Plan goals of Market Data and Market Transparency, we incur costs to implement software licensed or hosted by a third-party vendor in cloud computing environments offered as a service. Implementation costs incurred during the onboarding or customization stage are generally capitalized and amortized over the term of the software service or hosting arrangement on a straight-line basis. For the year ended September 30, 2023 and 2022, we capitalized \$3,180 and \$65,000, respectively, of costs incurred to implement software as a service arrangement. These costs were primarily related to the implementation of a data extraction and transformation software service for PDF documents and a platform hosting service for the MSRB's website hosting software. Amortization expense of capitalized implementation costs for cloud computing arrangements totaled approximately \$19,200 and \$16,000 for the years ended September 30, 2023 and 2022, respectively, which is included in computer licenses, maintenance and supplies, consulting expenses and professional services within the statement of functional expenses. The net deferred cloud implementation costs of approximately \$32,700 and \$49,000 are included on the statements of financial position within prepaid expenses and other assets at September 30, 2023 and 2022, respectively, and will be expensed over the term of the related cloud computing arrangements.

Impairment of Long-Lived Assets — The MSRB's policy is to review its long-lived assets, such as fixed assets and capitalized software costs, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment, if any, is recognized in the period of identification to the extent the carrying amount of an asset exceeds the fair value of such asset.

Leases — The MSRB determines whether an arrangement constitutes a lease at the inception of the contract. This determination aligns with the guidelines specified in ASC 842 and involves evaluating various factors. Key considerations include assessing our ability to control and direct the use of the asset and determining whether the counterparty holds a substantive substitution right.

The MSRB leases office space under a non-cancelable operating lease which includes options that permit renewals for additional periods as well as a one-time option to terminate with a significant termination penalty. The lease agreement does not contain any material residual value guarantee, restrictive covenant, or variable lease payments that would be included in the operating lease liability.

Under ASC 842, ROU assets represent the MSRB's entitlement to utilize underlying assets for the lease term, while lease liabilities represent our commitment to make lease payments throughout the lease period. The recognition of ROU assets and lease liabilities occurs on the lease's commencement date, based on the present value of lease payments over the agreed-upon lease term. The MSRB employs the implicit rate when it is readily determinable to discount lease cash flows. In cases where the implicit rate cannot be determined, the MSRB uses its collateralized interest rate.

ROU assets and lease liabilities resulting from operating leases are disclosed on the statement of financial position. The MSRB has one finance lease and it is included in fixed assets, and capital lease liabilities in the statements of financial position.

Deferred Rent — Upon transition to ASC 842, deferred rent was recorded as an adjustment to the operating lease ROU assets for the office lease. Prior to the adoption of ASC 842 and for fiscal year 2022, rent was recognized on a straight-line basis over the term of the lease. The difference between rent expense recognized and rental payments made, as stipulated in the lease, was recognized as increases or decreases to deferred rent.

In addition, lease incentives were recorded as deferred rent when control of the office space was obtained. Deferred rent related to lease incentives was amortized on a straight-line basis over the lease term.

Data Subscription Contract Liabilities — Data subscription contract liabilities relates to payments received in advance of the satisfaction of performance under the data subscription contract which is the delivery of the data feeds. We receive payments from data subscribers based upon the terms established in our contracts.

Functional Allocation of Expenses — The costs of providing the various organizational activities and programs have been summarized on a functional basis in the statements of activities. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, these expenses require allocation determined by management on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, occupancy, internal information technology, office expenses, general insurance, and personal property taxes, which are allocated based upon a percentage of total salaries. Certain salaries were allocated based upon estimated efforts.

Functional Descriptions:

Market Regulation — This group is responsible for developing and maintaining the MSRB rules that establish responsibilities and standards for brokers, dealers, and municipal securities dealers affecting municipal securities transactions and for municipal advisors that engage in municipal advisory activities. These staff also maintain the MSRB's professional qualifications program, create compliance and educational resources for regulated entities and provide assistance to other securities regulators that examine for compliance with and enforce MSRB rules.

Market Transparency and Technology — These groups are responsible for developing and operating the MSRB's market transparency and information systems that receive, process and disseminate data and documents relied on by the municipal securities market, supporting business operations and optimizing the business experience. Cybersecurity prevention, detection and incident response are also the responsibility of these staff.

Market Structure and Data — These groups are responsible for initiatives that provide insight into the municipal market through data, research and analysis. This includes a focus on the governance, quality and analysis of data collected by the MSRB's market transparency systems and providing economic analysis and research relating to regulatory and transparency projects. Economic analysis informs the regulatory approach to addressing an identified need for rulemaking and evaluates the cost of the regulation against the benefit to the market. Working with market transparency and technology, these groups also guide strategic development and ongoing improvements of MSRB's market transparency systems including the EMMA website.

External Relations — This group is responsible for managing and supporting efforts to engage and communicate with external stakeholders, including investors, issuers, regulated entities, fellow regulators and policy makers responsible for oversight of the MSRB. The MSRB's external relations staff oversee MSRB corporate communications, government relations events, education programs and related activities.

Governance and Leadership — This group consists of the members of the Board of Directors and certain staff, including executive leadership and internal legal and governance staff in supporting roles. The Board of Directors consists of a majority of public members, including issuers and investors, as well as members representing regulated entities, including municipal advisors, broker-dealers and banks. The Board exercises oversight of the operation and administration of the organization, makes policy decisions and authorizes rulemaking and market transparency initiatives.

Finance, Human Resources and Administration — These groups are responsible for the day-to-day financial, risk, people and facilities management at the MSRB ensuring appropriate spending, staffing and application of internal controls while supporting operations. These groups include accounting, administrative services, human resources, finance and risk management.

Reciprocal Transactions — The MSRB receives municipal credit ratings data for municipal securities in exchange for its data subscription service fees. The revenue and expenses are recognized in the statement of activities at the same data subscription fee rate that other data subscribers pay for similar services. Revenue and expenses recognized totaled \$137,500 for the years ended September 30, 2023 and 2022.

Revenue Recognition:

As the self-regulatory organization for the municipal market, the MSRB's performance obligations under the Exchange Act include the adoption of rules regulating the municipal securities activities of brokers, dealers and municipal securities dealers, and the municipal advisory activities of municipal advisors, collecting and disseminating market information, and operating the EMMA website. In addition, the MSRB engages in outreach and provides education to stakeholders and provides enforcement support to other regulators who enforce MSRB rules. Circumstances may exist where such revenue could be variable, the estimate of variable consideration is not typically constrained, as any effects of such variable consideration are known to the MSRB at year end.

Underwriting Fees — The underwriting fee on municipal securities dealers acting as underwriters is required to be paid per Rule A-13 and is equal to \$0.0297 per \$1,000 of the par value of municipal securities purchased by underwriters from an issuer as part of a new issue. Consistent with the Board's stated approach to monitor and manage organizational reserve levels, the Board temporarily reduced the rate of assessment for municipal securities dealers' underwriting during the third and fourth quarters of fiscal year 2021 extending until September 30, 2022 to \$0.0165 per \$1,000 of the par value of municipal securities purchased by underwriters from an issuer as part of a new issue.

The performance obligation associated with underwriting fees is satisfied in the month the underwriter files the offering document with the MSRB at which time revenue is recognized.

Transaction Fees — The transaction fee on municipal securities dealers is required to be paid per Rule A-13 and is \$0.0107 per \$1,000 par value of bonds sold and is levied on both customer and interdealer transactions as specified in Rule A-13. As described in this rule, certain transactions are exempt from this fee. Consistent with the Board's stated approach to monitor and manage organizational reserve levels, the Board temporarily reduced the rate of assessment for municipal securities dealers' transaction fees related to market activity during the third and fourth quarters of fiscal year 2021 extending until September 30, 2022 to \$0.0060 per \$1,000 of the par value of bonds sold.

The performance obligation associated with transaction fees is satisfied as transactions are settled at which time revenue is recognized.

Trade Count Fees — The trade count fee on municipal securities dealers is required to be paid per Rule A-13 and is \$1.10 per municipal security trade for all customer and interdealer sales transactions. Consistent with the Board's stated approach to monitor and manage organizational reserve levels, the Board temporarily reduced the rate of assessment for municipal securities dealers' trade count fees related to market activity during the third and fourth quarters of fiscal year 2021 extending until September 30, 2022 to \$0.60 per municipal security trade. Trade count fees were formerly named technology fees.

The performance obligation associated with trade count fees is satisfied as sales transactions are settled at which time revenue is recognized.

Data Subscriber Fees — For a fee, the MSRB provides access to MSRB subscription services that collect, store and provide information pertaining to the municipal securities market. The MSRB Primary Market Disclosure subscription service includes official statements, advance refunding documents and related data. The MSRB Continuing Disclosure subscription service includes continuing disclosure documents and related data from municipal securities issuers, obligated persons and their agents. The Real Time Transaction Reporting subscription service covers data on all municipal securities transactions for purposes of price transparency and surveillance. Finally, the Short-term Obligation Rate Transparency subscription service covers short-term obligation rate reset data and related documents.

Information processed by these systems is sold to subscribers on an annual basis and the performance obligations associated with these data subscriptions are satisfied over-time as services are rendered with revenue recognized straight-line over the period of service. In addition, the MSRB sells annual historical data sets from these systems, with the fee billed and recognized at the time of purchase.

Municipal Advisor Professional Fees — Each municipal advisor that is registered with both the SEC and the MSRB is required to pay an annual per professional fee of \$1,060 for fiscal year 2023 and \$1,000 for fiscal year 2022 per Rule A-11.

The performance obligation associated with municipal advisor professional fees is satisfied when the number of associated persons for whom the firm has filed a Form MA-1 with the Securities and Exchange Commission (SEC) as of January 31 is confirmed and billed in April at which time revenue is recognized.

529 Plan Underwriting Fees — Underwriters to 529 savings plans must pay an annual fee of \$0.005 per \$1,000 of the total aggregate plan assets as of December 31 of each year as reported on MSRB Form G-45, and as required to be paid per Rule A-13.

The performance obligation associated with 529 plan underwriting fees is satisfied when the total aggregate plan assets as of December each year are reported on MSRB Form G-45 are processed and billed in May at which time revenue is recognized.

Annual and Initial Fees — With respect to each fiscal year of the MSRB in which a regulated entity conducts business, the regulated entity is required to pay an annual fee of \$1,000 per Rule A-12. Revenue is recognized when regulated entities are billed annually in October, or when received upon initial registration with the MSRB to conduct business. The initial fee is a one-time fee of \$1,000 which is to be paid by every regulated entity upon registration with the MSRB under Rule A-12. Initial fee revenue is recognized when received.

Rule Violation Fine Revenue — The Dodd-Frank Act provides that fines collected by the SEC for violations of the rules of the MSRB shall be equally divided between the SEC and the MSRB, and that one-third of fines collected by the Financial Industry Regulatory Authority (FINRA) allocable to violations of the rules of the MSRB will be paid to the MSRB, although the portion of such fines payable to the MSRB may be modified at the

direction of the SEC upon agreement between the MSRB and FINRA. The performance obligation associated with fine revenue is satisfied when the fines are paid to the SEC or FINRA at which time MSRB's allocable portion is recognized as revenue.

Professional Qualification Examination Fees — Rule A-16 establishes the examination fee on persons taking certain qualification examinations of \$150 per exam. These examinations include the Series 50 (Municipal Advisor Representative Qualification Examination), Series 51 (Municipal Fund Securities Limited Principal Qualification Examination), Series 52 (Municipal Securities Representative Qualification Examination), Series 53 (Municipal Securities Principal Qualification Examination) and Series 54 (Municipal Advisor Principal Qualification Examination).

Professional qualification examination fees are recognized in the month the exams are administered and totaled \$281,700 and \$348,300 for the years ended September 30, 2023 and 2022, respectively. Professional qualification examination fees are included in other income in the accompanying statements of activities.

3. INVESTMENTS

Investments as of September 30, 2023 and 2022, consist of the following:

	2023	2022
U.S. Treasury notes	\$ 31,531,428	\$ 33,349,227
Certificates of deposit	7,451,270	9,861,642
Government-guaranteed agency securities	493,824	—
Total investments	\$ 39,476,522	\$ 43,210,869

Government-guaranteed agency securities include Federal National Mortgage Association and Federal Home Loan Mortgage Corporation bonds, government sponsored enterprises fully guaranteed by the U.S. Government.

In September 2014, a letter of credit in the amount of \$130,000 was accepted as a security deposit by the landlord under the terms of the new office lease in Washington, D.C. The MSRB purchased a certificate of deposit for the same amount to collateralize the letter of credit. This holding is included in certificates of deposit and is valued at \$139,403 and \$139,375 as of September 30, 2023 and 2022, respectively.

Net investment returns disclosed net of internal direct investment expenses of approximately \$12,548 and \$10,400 in 2023 and 2022, respectively are included in other income in the accompanying statements of activities for the fiscal years ended September 30, 2023 and 2022 and consists of the following:

	2023	2022
Interest and dividends	\$ 647,066	\$ 658,836
Unrealized gain (loss)	492,866	(1,909,054)
Realized gain (loss)	30,105	(15,604)
Total net investment return (loss)	\$ 1,170,037	\$ (1,265,822)

4. FAIR VALUE MEASUREMENTS

The carrying amounts of financial instruments, including cash and cash equivalents not subject to fair value measurements, receivables, accounts payable and accrued expenses, approximate fair value as of September 30, 2023 and 2022 because of the relatively short duration of these instruments.

The MSRB carries certain financial instruments at fair value which we define as the amount that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The MSRB is responsible for the determination of the value of the investments carried at fair value and the supporting methodologies and assumptions.

The degree of judgment used in measuring the fair value of financial instruments generally inversely correlates with the level of observable valuation inputs. The MSRB maximizes the use of observable inputs and minimizes

the use of unobservable inputs when measuring fair value. Financial instruments with quoted prices in active markets generally have more pricing observability, and less judgment is used in measuring fair value. Conversely, financial instruments for which no quoted prices are available have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgment. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, and the characteristics specific to the transaction, liquidity and general market conditions.

The MSRB's policy uses the GAAP framework for measuring fair value, which provides a fair value hierarchy based on observable inputs. The hierarchy reflects three levels based on the transparency of inputs as follows:

Level 1 — Fair value measurements that are based on quoted prices (unadjusted) in active markets that the MSRB has the ability to access for identical assets or liabilities. Market price data generally is obtained from exchange or dealer markets.

Level 2 — Fair value measurements based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 — Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Both observable and unobservable inputs may be used to determine the fair values of positions classified in level 3. The circumstances for using these measurements include those in which there is little, if any, market activity for the asset or liability. Therefore, the MSRB would make assumptions about the inputs a hypothetical market participant would use to value that asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The MSRB considers observable market data to be readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The MSRB's Level 2 investments include U.S. Treasury notes, obligations of U.S. government sponsored enterprises fully guaranteed by the U.S. Government and certificates of deposit.

The MSRB bases the fair value on pricing obtained from the MSRB's investment brokers. The MSRB does not adjust for or apply any additional assumptions or estimates to the pricing information it receives from its brokers. The brokers' pricing is compared to industry standard data providers or current yields available on comparable securities for reasonableness. The MSRB considers this the most reliable information available for the valuation of investments.

Investments were recorded at fair value as of September 30, 2023 and 2022, based on the following levels of hierarchy:

2023		Level 1	Level 2	Level 3	Total
U.S. Treasury notes	\$	–	\$ 31,531,428	\$ –	\$ 31,531,428
Certificates of deposit		–	7,451,270	–	7,451,270
Government-guaranteed agency securities		–	493,824	–	493,824
Total investments	\$	–	\$ 39,476,522	\$ –	\$ 39,476,522

2022		Level 1	Level 2	Level 3	Total
U.S. Treasury notes	\$	–	\$ 33,349,227	\$ –	\$ 33,349,227
Certificates of deposit		–	9,861,642	–	9,861,642
Government-guaranteed agency securities		–	—	–	—
Total investments	\$	–	\$ 43,210,869	\$ –	\$ 43,210,869

5. ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2023 and 2022 consist of the following:

	2023	2022
Billed accounts receivable	\$ 4,404,335	\$ 2,651,605
Unbilled accounts receivable	2,470,892	1,593,601
	6,875,227	4,245,206
Less allowance for doubtful accounts	(158,576)	(149,717)
Total accounts receivable — net	\$ 6,716,651	\$ 4,095,489

Unbilled receivables at September 30, 2023 and 2022 consist primarily of September transaction and trade count fees (formerly technology fees) billed in early November. Refer to the "Revenue Recognition" section of note 2 for a discussion of the 2022 Board temporary fee reduction.

6. PREPAID AND OTHER ASSETS

Prepaid and other assets as of September 30, 2023 and 2022 consist of the following:

	2023	2022
Prepaid assets	\$ 2,040,358	\$ 1,691,866
Deposits	22,883	81,738
Total prepaid and other assets	\$ 2,063,241	\$ 1,773,604

7. FIXED ASSETS

Fixed assets as of September 30, 2023 and 2022 consist of the following:

	2023	2022
Capitalized software costs	\$ 49,687,576	\$ 44,346,607
Leasehold improvements	4,397,760	4,384,685
Computer and office equipment	1,777,866	2,146,808
Furniture and fixtures	1,729,884	1,705,229
Total fixed asset acquisition costs	57,593,086	52,583,329
Less accumulated depreciation and amortization:		
Capitalized software costs	(35,148,993)	(32,345,860)
Leasehold improvements	(2,269,682)	(1,969,320)
Computer and office equipment	(1,489,283)	(1,773,965)
Furniture and fixtures	(1,551,433)	(1,509,547)
Total fixed asset accumulated depreciation and amortization	(40,459,391)	(37,598,692)
Total fixed assets — net	\$ 17,133,695	\$ 14,984,637

Depreciation expense and amortization expense during fiscal years 2023 and 2022 are as follows:

	2023	2022
Depreciation expense	\$ 226,766	\$ 162,264
Amortization expense for capitalized software cost and leasehold improvements	4,062,648	3,520,673
Total depreciation and amortization expense	\$ 4,289,414	\$ 3,682,937

Impairment of long-lived assets — Through regular review of long-lived assets, in fiscal years 2023 and 2022 no estimated impairment loss was recognized.

Leasehold improvements — In conjunction with the Washington, D.C. office lease, the landlord provided up to \$4.4 million in landlord incentives, of which \$4.03 million funded leasehold improvements and \$323,000 offset future rent payments. Included in fiscal year ended September 30, 2023 and 2022 leasehold improvements, is \$0 and \$42,000, respectively, of work-in-process costs for improvements not yet implemented.

Capitalized software costs — For the fiscal years ended September 30, 2023 and 2022, \$5.4 million and \$6.2 million, respectively, of internally developed work-in-process costs for software not yet implemented are included in capitalized software costs.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of September 30, 2023 and 2022 consist of the following:

	2023	2022
Accounts payable and accrued expenses	\$ 1,710,593	\$ 2,626,301
Salaries, taxes and benefits payable	2,318,075	2,180,334
Total accounts payable and accrued liabilities	\$ 4,028,668	\$ 4,806,635

9. LEASES

Operating Leases — The MSRB leases office space under operating lease arrangements. The MSRB moved to new office space in Washington, D.C. in December 2015 and the lease will expire in fiscal year 2031. Maturities of operating lease liabilities are as follows:

Years Ending September 30	
2024	\$ 1,871,346
2025	1,918,188
2026	1,966,188
2027	2,015,352
2028	2,065,692
2029 and beyond	5,386,458
Total operating lease payments	\$ 15,223,224
Less imputed interest	(3,293,695)
Operating lease liability	\$ 11,929,529

Included in fiscal year 2023 and 2022 furniture and fixtures is the capitalized lease of a postage meter with a cost of \$4,536 and recognized amortization expense of \$864 in fiscal year ended September 30, 2023 and 2022. Maturities of capital lease liabilities are as follows:

Years Ending September 30	
2024	\$ 1,164
2025	1,164
2027	97
2026	0
2027	0
2028 and beyond	0
Total capital lease payments	\$ 2,425
Less imputed interest	(274)
Present value of lease payments	\$ 2,151

Supplemental information related to leases is presented in the table below:

Year ended September 30, 2023	
Amortization of right-of-use assets — finance lease	\$ 877
Interest on lease liabilities — finance lease	310
Operating lease cost	1,386,953
Variable lease cost (common charges)	1,035,521
Total Lease Cost	\$ 2,423,661
Finance lease — operating cash flows	\$ 310
Operating lease — operating cash flows (fixed payments)	1,825,674
Operating lease — operating cash flows (liability reduction)	\$ 1,007,152

As of September 30, 2023	
Weighted Average Lease Term — Finance Leases	2.01 yrs
Weighted Average Lease Term — Operating Leases	7.50 yrs
Weighted Average Discount Rate — Finance Leases	12.25%
Weighted Average Discount Rate — Operating Leases	6.65%

Prior to the adoption of ASC 842, rent expense for the year ended September 30, 2022 was \$2,237,527.

The following table presents the future minimum lease payments under the non-cancelable operating lease as of September 30, 2022 prior to the adoption of ASC 842:

Years Ending September 30	
2023	\$ 1,825,674
2024	1,871,346
2025	1,918,188
2026	1,966,188
2027	2,015,352
2028 and beyond	7,452,150
Total minimum lease payments	\$ 17,048,898

10. RETIREMENT PLAN

The MSRB has a defined contribution retirement plan for all employees. Participation commences upon date of hire as described in the plan document. For all active participants employed on the first day of the calendar quarter, the MSRB makes a quarterly contribution as required by the plan document. The contribution percentage ranges from 7% to 9% depending on the length of service as set forth in the plan document.

Each employee is fully vested upon being credited with three plan years of service. Employees may also make voluntary contributions to the plan. The MSRB made contributions to the plan totaling \$1,487,108 and \$1,377,600 for the years ended September 30, 2023 and 2022, respectively.

All administrative expenses of the plan are paid by the MSRB. Administrative expenses total \$1,750 and \$5,100 for the years ended September 30, 2023 and 2022, respectively.

11. INCOME TAXES

The MSRB is exempt from federal and state taxes on income (other than unrelated business income) under Section 501(c)(6) of the Internal Revenue Code (IRC) and applicable income tax regulations of the Commonwealth of Virginia and District of Columbia. The MSRB files an annual informational tax form, Form 990, with the Internal Revenue Service.

The MSRB addresses uncertain tax positions in accordance with ASC Topic 740, Income Taxes, which provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. During the years from 2020 to 2023, which represent the years management considers to be open for examination by taxing authorities, management did not identify the existence of any uncertain tax position.

12. AVAILABILITY OF RESOURCES AND LIQUIDITY

The following represents MSRB's financial assets at September 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 3,494,056	\$ 3,874,774
Investments	39,476,522	43,210,869
Accounts receivable — net	6,716,651	4,095,489
Accrued interest receivable	229,576	143,608
Total financial assets	49,916,805	51,324,740
Less amounts not available to be used within one year:		
Certificate of deposit held as collateral for lease letter of credit	139,403	139,375
Board designated net assets	6,835,851	9,123,285
	6,975,254	9,262,660
Financial assets available to meet general expenditures over the next twelve months	\$ 42,941,551	\$ 42,062,080

Organizational reserves are maintained to ensure the MSRB has appropriate resources to support mission objectives, respond to regulatory requirements and pursue opportunities, to enable the organization to be fiscally prepared regardless of economic conditions, to provide the MSRB with the requisite level of liquidity to fund ongoing operations, and to ensure the long-term financial sustainability of the organization. The MSRB determines the target for organizational reserves by conducting a detailed and comprehensive analysis of the liquidity needs in four categories: Working Capital, Risk Reserves, Strategic Investment Reserves and Regulatory Reserves.

Certain funding priorities exist based on MSRB's responsibilities as an SRO. These priorities include:

- funding to maintain modern and informed regulation of dealers and municipal advisors that reflects current market practices and protects investors, issuers and the public interest, including by conducting economic analysis, establishing and maintaining a professional qualifications program, and providing coordination and support to the regulatory authorities that examine compliance with and enforce MSRB rules;
- funding to establish, maintain, and enhance information systems for the municipal securities market and provide market transparency for issuers, institutions, and the investing public, including transaction-related data and documents and data related to bond issuances;
- funding to provide high quality market data to enable comprehensive analysis of the municipal securities market, including developing data products and services that provide value for investors, issuers and all market participants to strengthen market efficiency and fairness;
- funding to ensure the MSRB fulfills its obligation to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest, including by fostering dialog and working collaboratively with all market participants and the broader community we serve;
- funding for stakeholder engagement activities and education, including receiving information from municipal market participants and other stakeholders to provide input that informs the rulemaking process, as well as ensuring that these stakeholders are aware of regulatory developments that may affect them and are educated on the MSRB rules;
- funding to support the internal administrative functions of the MSRB and to administer the activities of the Board and its committees; and
- funding sufficient to maintain a prudent level of liquid reserves, taking into consideration a range of reasonably foreseeable market conditions and expected expenditures over a three-year time horizon.

As discussed in note 13, certain unrestricted net assets have been designated by the Board for specific strategic objectives. These assets are restricted to use by self-imposed limits by action of the Board and are not available for general expenditures. The Board designation can be changed by the Board and the net assets can be made available for general expenditures.

13. BOARD DESIGNATED NET ASSETS

In July 2020, in conjunction with the fiscal year 2021 budget recommendation, the Board approved a \$10 million designation of undesignated net assets to fund a multi-year strategic investment to modernize its market transparency systems to leverage the power of the cloud. In July 2021 and 2023, the Board approved an additional \$7.5 million and \$3.5 million, respectively, to increase this designation and provide sufficient funds to cover the planned spend of systems modernization initiatives.

	2023	2022
Designated, systems modernization fund — balance beginning of year	\$ 9,123,285	\$ 14,842,395
Additional Board designation	3,500,000	—
Systems modernization spend	(5,787,434)	(5,719,110)
Designated, systems modernization fund	\$ 6,835,851	\$ 9,123,285

14. DATA SUBSCRIPTION CONTRACT LIABILITIES

Data subscription contract liabilities relate to payments received in advance of the satisfaction of performance under the data subscription contract. We receive payments from data subscribers based upon the terms established in our contracts.

The following table provides information about significant changes in the data subscription contracts paid in advance at September 30, 2023 and 2022.

	2023	2022
Data subscription fees paid in advance, beginning of year	\$ 290,847	\$ 214,700
Revenue recognized that was included in data subscription contract liabilities at the beginning of the year	(290,847)	(214,700)
Increase in data subscription contract liabilities due to cash received during the period	359,508	290,847
Data subscription fees paid in advance, end of the year	\$ 359,508	\$ 290,847

15. SUBSEQUENT EVENTS

The MSRB evaluated its September 30, 2023 financial statements for subsequent events through December 21, 2023, the date the financial statements were available to be issued. The MSRB is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

ABOUT THE MSRB

The Municipal Securities Rulemaking Board (MSRB) protects and strengthens the municipal bond market, enabling access to capital, economic growth, and societal progress in tens of thousands of communities across the country. The MSRB fulfills this mission by creating trust in our market through informed regulation of dealers and municipal advisors that protects investors, issuers and the public interest; building technology systems that power our market and provide transparency for issuers, institutions, and the investing public; and serving as the steward of market data that empowers better decisions and fuels innovation for the future. The MSRB is a self-regulatory organization governed by a board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is overseen by the Securities and Exchange Commission and Congress.



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