



Six Things to Know When Issuing Municipal Bonds

State and local governments rely on the municipal securities market to raise money to finance their capital projects. Issuing bonds, whether done once a decade or many times a year, generally requires municipal governments to hire financial professionals.

The Municipal Securities Rulemaking Board (MSRB) plays an important role in defining the relationship that municipal governments have with their financial professionals. It also plays a role in helping state and local governments communicate with investors.

This document explains six key things state and local governments should know about issuing municipal bonds.

Before working with an underwriter or municipal advisor, verify the firm is properly registered with the MSRB at msrb.org.

1. MSRB registration is required for underwriters and municipal advisors.

When state or local governments issue bonds, an underwriter may help bring the bonds to market. State and local governments may also hire a municipal advisor to provide advice related to the issuance of the bonds. Both underwriters and municipal advisors are required to register with the MSRB and are subject to MSRB rules. Municipal bond issuers can visit the "[Working with Financial Professionals](#)" page in the MSRB's Education Center at msrb.org to confirm that their underwriters or municipal advisors are properly registered. To view rules that apply to underwriters and municipal advisors, click on the "[MSRB Rules](#)" page in the Rules and Guidance section at msrb.org.

The MSRB maintains qualification standards for professionals at underwriter and municipal advisor firms through its

licensing and examination activities. For example, financial professionals at underwriter firms must pass the MSRB's Municipal Securities Representative Qualification Examination (Series 52) to engage in fundamental municipal securities activities such as underwriting and trading. Similarly, municipal advisor professionals must pass the MSRB's Municipal Advisor Representative Qualification Examination (Series 50) to engage in municipal advisory activities. To read more about these professional qualifications, click on the "[Professional Qualification](#)" page in the MSRB's Compliance Center at msrb.org.

2. Underwriters and municipal advisors must provide accurate information related to the sale of bonds.

State and local governments should expect a high level of professional conduct from both underwriters and municipal advisors. These financial professionals are



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The MSRB operates the EMMA® website as a centralized platform for municipal bond issuers to communicate important information to investors.

prohibited from deceiving or defrauding state and local governments. Additionally, MSRB rules require both underwriters and municipal advisors to deal fairly with issuers. Both underwriters and municipal advisors are required to provide accurate information when working with an issuer on the sale of its bonds. An underwriters' fair-dealing requirement also includes honoring commitments made to an issuer regarding the distribution of its bonds.

MSRB rules also prohibit certain material conflicts of interest. For example, financial professionals cannot act as a municipal advisor to a state or local government in the issuance of a bond, and then become an underwriter for the same issuance. MSRB rules further require the disclosure of certain other conflicts even if not altogether prohibited.

3. Municipal advisors owe a fiduciary duty to their municipal entity issuer clients.

Municipal advisors have a fiduciary duty to their municipal entity issuer clients. Among other things, municipal advisors are required to act in the best interests of their issuer clients without regard to their own financial or other interests.

Underwriters do not have a fiduciary duty to their issuer clients, but, as stated above, they must deal fairly with and not deceive or defraud issuers.

4. Issuers can use different approaches to issue bonds.

In a competitive bond sale, underwriters submit bids to purchase the issuer's bonds in accordance with the terms set by the issuer in a notice of sale. Generally, the issuer awards the right to purchase all of the bonds to the underwriter that meets the requirements in the notice of sale and enables the issuer to borrow at the lowest cost.

In a negotiated bond sale, an issuer hires an underwriter to find investors for the bonds. An issuer approves the terms and conditions of the sale, as well as defines retail order period requirements and determines which orders receive priority. Additionally, issuers have the right to determine how the bonds are distributed among investors in connection with the offering. In both types of sales, underwriters are subject to primary offering practices as defined by MSRB rules.

5. Issuers can use the EMMA® website to communicate important information directly to investors.

Issuers of municipal bonds generally commit to provide to investors certain annual financial information and other updated data about their bonds until they mature or are otherwise redeemed. The MSRB operates the Electronic Municipal



Watch a short video that explains the roles of key participants involved when a state or local government issues a municipal bond.



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Market Access (EMMA®) website as the centralized platform for municipal bond issuers to communicate important information about themselves and their bonds to investors.

Additionally, the MSRB receives and disseminates on EMMA certain voluntary disclosures that may be submitted by issuers, such as annual budgets, pre-sale documents and information concerning bank loans and other material financial obligations.

6. Issuers can use EMMA to evaluate municipal market trading.

Issuers can review trade data related to their bonds on the EMMA website, as well as trade data related to over one million other outstanding bonds. Issuers can find this data on EMMA by entering a CUSIP number or an issuer name and selecting the "Trade Activity" tab.



The [MSRB Education Center](#) is a multimedia library of information about the municipal securities market. Free and objective resources are geared toward investors and state and local governments to help them make informed decisions. Issuers can access resources to assist them during every step of the process, from putting together a deal team to submitting annual financial disclosures for outstanding bonds. Learn more about the free educational documents, videos and podcasts available in the online MSRB Education Center.



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