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Category

Administration

Affected Rules

[Rule A-3;](#)

[Rule A-6](#)

MSRB Improves Board Governance

Overview

The Municipal Securities Rulemaking Board (MSRB) received approval from the U.S. Securities and Exchange Commission (SEC or “Commission”) on August 5, 2020 of amendments to MSRB Rules A-3 and A-6 that are designed to improve Board governance.¹

The amendments:

- Extend to five years the length of time that an individual must have been separated from employment or other association with any regulated entity to serve as a public representative to the Board;
- Reduce the Board’s size from 21 to 15 members through a transition plan that includes an interim year in which the Board will have 17 members;
- Replace the requirement that at least one and not less than 30% of regulated members on the 21-member Board be municipal advisors with a requirement that the 15-member Board include at least two municipal advisors;
- Impose a six-year limit on Board service;
- Remove overly prescriptive detail from the description of the Board’s nominations process while preserving in the rule the key substantive requirements; and
- Require that any Board committee with responsibilities for nominations, governance, or audit be chaired by a public representative.

Effective Date

The effective date of the amendments is October 1, 2020.



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¹ Release No. 34-89484 (Aug. 5, 2020) (File No. SR-MSRB-2020-04).

Brief Summary of the Amendments

A. Background

The Securities Exchange Act of 1934 (the “Exchange Act”) establishes basic requirements for the Board’s size and composition and requires the Board to adopt rules that establish “fair procedures for the nomination and election of members of the Board and assure fair representation in such nominations and elections.”² As amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”), the Exchange Act categorizes Board members in two broad groups: individuals who must be independent of any broker, dealer or municipal securities dealer (“dealer”) or municipal advisor (collectively, “public representatives”) and individuals who must be associated with a dealer or municipal advisor (collectively, “regulated representatives”).³ The Exchange Act requires the Board to establish by rule requirements regarding the independence of public representatives and provides that all Board members — whether public or regulated representatives — must be “knowledgeable of matters related to the municipal securities markets.”⁴

The Exchange Act, as amended by the Dodd-Frank Act, recognizes the benefits that a Board composed of both public and regulated representatives brings to regulation of the municipal securities market in the public interest and the protection of investors, municipal entities, and obligated persons. Although regulated representatives may bring specialized expertise to the regulation of a market with features and functions that are markedly different from those of other financial markets, public representatives may bring a broader perspective of the public interest and the protection of investors, municipal entities, and obligated persons. Striking the balance between the two perspectives — public and regulated — in the Dodd-Frank Act, Congress specified that the Board at all times must be majority public but that it also must be as evenly divided between public and regulated representatives as possible.⁵

² Exchange Act Section 15B(b)(2)(B), 15 U.S.C. 78o-4(b)(2)(B).

³ Exchange Act Section 15B(b)(1), 15 U.S.C. 78o-4(b)(1).

⁴ Exchange Act Section 15B(b)(1), 15 U.S.C. 78o-4(b)(1); Exchange Act Section 15B(b)(2)(B)(iv), 15 U.S.C. 78o-4(b)(2)(B)(iv).

⁵ See Exchange Act Section 15B(b)(2)(B)(i), 15 U.S.C. 78o-4(b)(2)(B)(i).

B. Independence Standard

As noted above, the Exchange Act requires the Board to establish by rule “requirements regarding the independence of public representatives.”⁶ In 2010, the Board amended Rule A-3 to define the term “independent of any municipal securities broker, municipal securities dealer, or municipal advisor” to mean that an individual has “no material business relationship with” such an entity. The Board defined the term “no material business relationship” to mean, at a minimum, that:

- The individual is not, and within the last two years was not, associated with a dealer or municipal advisor; and
- The individual does not have a relationship with any dealer or municipal advisor, compensatory or otherwise, that reasonably could affect the individual’s independent judgment or decision making.

The amendments to Rule A-3 increase the two-year separation period in the definition of “no material business relationship” to five years. This amendment is intended to enhance the independence of public representatives who have prior regulated entity associations and better avoid any appearance of a conflict of interest on the part of a public representative.

C. Board Size

The Exchange Act establishes a 15-member Board but permits the MSRB to increase the size, provided that:

- The number of Board members is an odd number;
- A majority of the Board is composed of public representatives; and
- The Board is as closely divided in number as possible between public and regulated representatives.⁷

In 2010, the Board amended Rule A-3 to expand the size of the Board to 21 members in order to provide additional flexibility in achieving balance among its members and to broaden the range of Board-member perspectives as it sought to implement the Dodd-Frank Act, which established a new registration requirement and regulatory framework for municipal advisors. The amendments to Rule A-3 return the Board’s size to 15 members, the

⁶ Exchange Act Section 15B(b)(2)(B)(iv), 15 U.S.C. 78o-4(b)(2)(B)(iv).

⁷ Exchange Act Section 15B(b)(1), 15 U.S.C. 78o-4(b)(1); Exchange Act Section 15B(b)(2)(B), 15 U.S.C. 78o-4(b)(2)(B).

original number established by the Exchange Act.⁸ Although the 21-member Board size was particularly valuable during the period of heightened rulemaking activity required to implement the Dodd-Frank Act, particularly the complex rulemaking necessary to establish the core regulatory framework for a new type of regulated entity — i.e., municipal advisors — that rulemaking activity is now complete. Thus, the Board determined that it can now return to the statutorily prescribed Board size of 15, and the attendant efficiency and lower cost of such a smaller Board, without decreasing its ability to discharge its expanded responsibilities under the Exchange Act, as amended by the Dodd-Frank Act.

D. Board Composition

When it established the 21-member Board in 2010, the MSRB required that municipal advisor representation be greater than the statutory minimum. Specifically, the Board provided in Rule A-3:

At least one, and not less than 30 percent of the total number of regulated representatives, shall be associated with and representative of municipal advisors and shall not be associated with a broker, dealer, or municipal securities dealer.

Along with the increased Board size, the change was intended to ensure that the Board could achieve appropriately balanced representation and would have sufficient knowledge and expertise to implement the new municipal advisor regulatory framework without detracting from its ability to continue fulfilling its existing rulemaking responsibilities with respect to dealer activity.

In connection with reducing the Board's size to 15 members, the Board amended Rule A-3 to provide that at least two of the regulated representatives shall be associated with and representative of municipal advisors and shall not be associated with a broker, dealer or municipal securities dealer. The Board determined that it remains appropriate, in light of the broad range of municipal advisors subject to MSRB regulation, to require municipal advisor representation greater than the statutory minimum of one. This amendment preserves as closely as possible the current percentage of municipal advisors on the Board as the Board moves from a 21-member Board to a 15-member Board. Specifically, the amendment to Rule A-3 requires that at least two (28.6%) of the regulated

⁸ As required by Section 15B(b)(1) of the Exchange Act, the 15-member Board would be composed of eight public representatives and seven regulated representatives.

representatives on a 15-member Board be municipal advisor representatives, very close to the 30% representation currently required.

E. Member Qualifications

Rule A-3 tracks the Exchange Act requirement that all Board members must be knowledgeable of matters related to the municipal securities markets. In its processes for the nomination and election of new members, the Board has consistently sought candidates who meet that standard, but who also have demonstrated personal and professional integrity. In order to further convey to the public the seriousness with which the Board conducts its elections and bolster public confidence in its process, the Board amended Rule A-3 to add an express requirement that Board members be individuals of integrity. The Board will continue to determine whether a candidate possesses the requisite personal and professional integrity through its rigorous nominations and elections processes, which include, among other things, candidate interviews, extensive screening, and background checks.

F. Transition Plan to Reduced Board Size

The proposed change to a 15-member Board requires a transition plan. The Board has designed a plan to effect the necessary changes expeditiously, while minimizing any risk of disruption to MSRB governance, programs and operations.

The transition plan provides that for fiscal year 2021, which begins on October 1, 2020, the Board will include 17 members and reduce its size to 15 members the following year. Reducing the Board size to 17 members, rather than 15, in the first year of the transition will enable the Board to include a second issuer member for fiscal year 2021. The Board believes that having more than one issuer representative is of particular importance next fiscal year in light of the ongoing COVID-19 pandemic and its effects on municipal entities.

In addition, the plan transitions the Board's class structure from three classes of five members and one class of six members to three classes of four members and one class of three members. Each of the new Board classes will have the same number of public and regulated representatives except for the class of three, which will have two public representatives. All new Board members elected during the transition, and thereafter, will be appointed to four-year terms. The Board will resume electing new members for a four-member class with terms commencing in fiscal year 2022, which begins on October 1, 2021. No new Board members will be elected for terms beginning on October 1, 2020. The transition will be completed in fiscal year 2024, which ends on September 30, 2024.

The transition plan provides that the Board will grant one-year term extensions to five public representatives and three regulated representatives, as follows:

- One public representative and one regulated representative whose terms would otherwise end on September 30, 2020;
- One public representative whose term would otherwise end on September 30, 2021;
- One public representative and one regulated representative whose terms would otherwise end on September 30, 2022; and
- Two public representatives and one regulated representative whose terms would otherwise end on September 30, 2023.

Each year, members will be considered for the one-year extensions as part of the Board's annual nominations process, once that process resumes during fiscal year 2021, so that overall Board composition, resulting from existing member extensions and new member elections, can be considered holistically.

G. Terms

The Exchange Act provides that Board members "shall serve as members for a term of 3 years or for such other terms as specified by the rules of the Board."⁹ Since 2016, Rule A-3 has provided for four-year terms and prohibited a Board member from serving more than two consecutive terms. The amendments to Rule A-3 impose a six-year lifetime limit on Board service. The six-year maximum service provision effectively limits a Board member to one complete four-year term. Allowing for up to an additional two years will permit the Board to fill a vacancy that arises in the middle of a Board member's term expeditiously, as it has in the past, by re-appointing a sitting member, or electing a former Board member, to serve for the remainder of the term of the Board member whose departure created the vacancy rather than leaving the vacancy unfilled until a more exhaustive, but time-consuming, search for a new Board member can be completed.

Based on its experience, the Board believes that regularly refreshing the Board with new members benefits the Board and, in turn, the municipal market, by bringing new and diverse perspectives to the policymaking process. The six-year lifetime limit is intended to enhance these benefits by increasing the rate at which new members will join the Board.

The Board also amended Rule A-3 to permit a Board member filling a vacancy to serve for any part of an unexpired term, rather than requiring such a

⁹ Exchange Act Section 15B(b)(1), 15 U.S.C 78o-4(b)(1).

Board member to serve for the entire unexpired portion. This change is necessary to implement the six-year lifetime limit described above because a Board member may leave the Board with more than two years remaining in his or her term. In many such cases, requiring the replacement Board member to serve the remainder of the term would disqualify current and former Board members due to the six-year limit.

Finally, Rule A-3(d) provides that “[v]acancies on the Board shall be filled by vote of the members of the Board,” and states in the final sentence that the term “vacancies on the Board” includes a vacancy resulting from the resignation of a Board member prior to the commencement of his or her term. The Board deleted this final sentence from the rule to clarify that the term includes all vacancies that arise prior to conclusion of a term for any reason.¹⁰

H. Amendments to Board Nominations and Elections Provisions

Rule A-3, prior to the current amendments, included a detailed description of the composition, responsibilities and processes of the Board’s Nominating and Governance Committee. The amendments to Rule A-3 include changes that preserve the key features of this important Board committee while removing overly prescriptive detail that could be provided instead, and the Board believes more appropriately, in governing documents such as committee charters and Board policies. The Board believes these amendments will enhance the Board’s flexibility to respond efficiently to changes in circumstances.

Specifically, the amendments remove references in Rule A-3 to the “Nominating and Governance Committee” and replace them with references to a committee charged with the nominating process. The rule retains the substantive requirements that the committee responsible for the nominating process be: (1) composed of a majority of public representatives, (2) chaired by a public representative, and (3) representative of the Board’s membership, but the more detailed requirements have been deleted from the rule. The amendments move the substantive requirements to Rule A-6, on committees of the Board. The Board believes this is a more logical location and will improve transparency by making Board requirements easier to find.

¹⁰ As discussed below, the amendments to Rule A-3 reorganize the rule so that topics are presented in a more logical order. As reorganized, the provision on vacancies is a subsection of section (b), which governs Board nominations and elections.

The Board also updated the requirement in Rule A-3 for the Board to publish a notice seeking applicants for Board membership. Specifically, the amendments replace the requirement to publish the notice “in a financial journal having national circulation among members of the municipal securities industry and in a separate financial journal having general national circulation” with a more general requirement to publish the notice “by means reasonably designed to provide broad dissemination to the public.” This broader and more flexible requirement recognizes that, in addition to publishing the notice in financial journals as specified in Rule A-3, the Board currently uses a variety of methods to reach a broad range of potential candidates, including press releases, the MSRB website, and the Board’s social media channels. The amendment to Rule A-3 permits the Board to continue to use these methods, as well as to determine other ways to reach a wide range of potential applicants in light of available technology and media.

I. Public Representative Committee Chairs

The amendments described above enable the Board to establish its committee structure through governance mechanisms such as charters and policies. The MSRB could, for example, continue to have a committee responsible for both nominations and governance, or it could establish a separate committee on governance, freeing the nominating committee to focus on identifying, recruiting and vetting new members.

The Board believes that irrespective of the committee structure the Board from time to time may establish, responsibility for both nominations and governance should continue to be in a committee or committees chaired by a public representative. Current Board policy requires that the audit committee also be chaired by a public representative. In light of the importance of public representative leadership of the audit committee to the Board’s corporate governance system, the Board determined that this requirement should be included in the Board’s rules, rather than only in a Board policy. Accordingly, the amendments codify these existing rule and policy requirements in a single location in Rule A-6.

J. Reorganizational and Technical Changes

Rule A-3 Title

The amendments change the title of Rule A-3 from “Membership on the Board” to “Board Membership: Composition, Elections, Removal, Compensation.” The new title describes all of the topics covered by the rule and should make it easier for interested persons to locate relevant MSRB rule requirements.

Rule A-3 Organization

The amendments reorganize the content of Rule A-3 so that similar provisions are grouped together, topics are presented in a more logical sequence, and overall readability is improved. The provision on vacancies in section (d) will now be included as a subsection of section (b), regarding nominations and elections. Similarly, the provision on Board member affiliations, currently section (f), will be included within section (a), which describes the number of Board members and the requirements for Board composition. The Board also revised the titles of sections (b) and (c) to more completely describe the topics covered and added new subsection headers to section (b) to provide a better roadmap to the section’s contents. These changes should make it easier for interested persons to find and understand relevant MSRB requirements.

Board Member Changes in Employment and Other Circumstances

Board policies describe certain changes in a Board member’s circumstances, such as a change in employment, that could result in the Board member’s disqualification from continuing to serve on the Board. For example, a Board member who is a public representative at the time of his or her election may accept a position with a regulated entity during the course of his or her Board term. Assuming there are no Board vacancies at the time, such a change would result in the Board no longer being majority public and no longer as evenly divided in number as possible between public and regulated representatives. Board policy provides that the member would be disqualified from continuing to serve because the change in employment would cause a conflict with Board composition requirements.

The amendments to Rule A-3 include the substance of this policy in Rule A-3(c), with minor updates. Specifically, new subsection (c)(ii) provides that:

- If a member’s change in employment or other circumstances results in a conflict with the Board composition requirements described in section (a) of Rule A-3, as amended, the member shall be disqualified from serving on the Board as of the date of the change.
- If the Board determines that a member’s change in employment or other circumstances does not result in disqualification pursuant to the above provision but changes the category of representative in

which the Board member serves, the member will remain on the Board pending a vote of the other members of the Board, to be taken within 30 days, determining whether the member is to be retained.

Including these provisions in the Board's rules, rather than its policies, is intended to improve transparency about the Board's approach to changes in Board member circumstances, including changes that require immediate disqualification due to a conflict with Board composition requirements and changes that do not cause a conflict with those requirements but might still, in the Board's judgment, require removal because, for example, they negatively affect the balanced representation on the Board that the Board seeks to maintain.

Questions about this notice may be directed to Jake Lesser, Deputy General Counsel, or Sara Ahmadzai, Senior Manager, Corporate Governance at 202-838-1500.

August 6, 2020

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Text of Amendments*

Rule A-3: Board Membership; ~~on the Board~~ Composition, Elections, Removal, Compensation

(a) *Number and Representation.* The Board shall consist of ~~24~~ 15 members who are individuals of integrity and knowledgeable of matters related to the municipal securities markets and are:

(i) **Public Representatives.** ~~Eleven~~ Eight individuals who are independent of any municipal securities broker, municipal securities dealer, or municipal advisor, of which:

(1) at least one shall be representative of institutional or retail investors in municipal securities;

(2) at least one shall be representative of municipal entities; and

(3) at least one shall be a member of the public with knowledge of or experience in the municipal industry; and

(ii) **Regulated Representatives.** ~~Ten~~ Seven individuals who are associated with a broker, dealer, municipal securities dealer, or municipal advisor, of which:

* Underlining indicates new language; strikethrough denotes deletions

(1) at least one shall be associated with and representative of brokers, dealers or municipal securities dealers that are not banks or subsidiaries or departments or divisions of banks;

(2) at least one shall be associated with and representative of municipal securities dealers that are banks or subsidiaries or departments or divisions of banks; and

(3) ~~at least one, and not less than 30 percent of the total number of regulated representatives,~~ two shall be associated with and representative of municipal advisors and shall not be associated with a broker, dealer or municipal securities dealer.

(4) Affiliations. Two persons associated with the same broker, dealer, municipal securities dealer or municipal advisor shall not serve as members of the Board at the same time.

(b) *Nomination and Election of Members; Vacancies.*

(i) Elections.

(1) Members shall be nominated and elected in accordance with the procedures specified by this rule. The ~~24~~ 15 member Board shall be divided into four classes, one class being comprised of ~~six~~ three members and three classes being comprised of ~~five~~ four members, who serve four-year terms. The classes shall be as evenly divided in number as possible between public representatives and regulated representatives. The terms will be staggered and, each year, one class shall be nominated and elected to the Board. The terms of office of all members of the Board shall commence on October 1 of the year in which elected and shall terminate on September 30 of the year in which their terms expire. A member may not serve more than six years, consecutive terms, unless special circumstances warrant that the member be nominated for a successive term or because the member served only a partial term as a result of filling a vacancy pursuant to section (d) of this rule, and a member may not serve more than two terms consecutively. No broker-dealer representative, bank representative, or municipal advisor representative may be succeeded in office by any person associated with the broker, dealer, municipal securities dealer, or municipal advisor with which such member was associated at the expiration of such member's term except in the case of a Board member who serves a partial term as a result of filling a vacancy pursuant to paragraph (b)(iii) of this rule and succeeds himself or herself in office.

(#2) Candidates for Board membership shall be nominated by a committee that meets the composition requirements described in Rule A-6. ~~(the "Nominating and Governance Committee") consisting of six public Board members and five Board members representing entities regulated by the MSRB. Among the six public Board members, at least one but no more than three shall be representative of institutional or retail investors in municipal securities, at least one but no more than three shall be representative of municipal entities, and at least one but no more than three shall be members of the public with knowledge of or experience in the municipal industry and not representative of investors or municipal entities. Among the representatives of entities regulated by the MSRB, at least one but no more than two shall be associated with and representative of brokers, dealers or municipal~~

~~securities dealers that are not banks or subsidiaries or departments or divisions of banks, at least one but no more than two shall be associated with and representative of municipal securities dealers that are banks or subsidiaries or departments or divisions of banks, and at least one but no more than two shall be associated with and representative of municipal advisors and shall not be associated with brokers, dealers or municipal securities dealers. The Chair of the Nominating and Governance Committee shall be a public member. In appointing persons to serve on the Nominating and Governance Committee, factors to be considered include, without limitation, diversity in the geographic location, size and type of brokers, dealers, municipal securities dealers, and municipal advisors represented on such Committee.~~

(iii) Annual Elections.

~~(1) The Nominating and Governance C committee responsible for nominations shall publish a notice by means reasonably designed to provide broad dissemination to the public in a financial journal having national circulation among members of the municipal securities industry and in a separate financial journal having general national circulation soliciting applicants for the positions on the Board to be filled in such year.~~

~~(2) The notice shall require that an application be submitted which includes the category of representative for which the person is applying, the person's background and qualifications for membership on the Board and, if applicable, information concerning such person's association with any broker, dealer, municipal securities dealer, municipal advisor, municipal entity, or institutional investor. The Nominating and Governance C committee responsible for nominations shall accept applications pursuant to such notice for a period of at least 30 days. Any interested member of the public, whether or not associated with a broker, dealer, municipal securities dealer, municipal advisor, municipal entity, or institutional investor, may submit an application to the Nominating and Governance C committee.~~

~~(iv3) The Nominating and Governance C committee responsible for nominations shall nominate one person for each of the Board positions to be filled and shall submit the nominees to the Board for approval. In making such nominations, the Nominating and Governance C committee shall take into consideration such factors as, without limitation, diversity in the geographic location, size and type of brokers, dealers, municipal securities dealers, and municipal advisors represented on the Board, as well as the background, experience, and knowledge of the municipal securities market of the public Board members. Each nomination shall include the category of representative for which such person is nominated, the nominee's qualifications to serve as a member of the Board, and information concerning the nominee's association, if any, with a broker, dealer, municipal securities dealer, municipal advisor, municipal entity, or institutional investor. The names of the nominees shall be confidential.~~

~~(v4) The Board shall accept or reject each nominee submitted by the Nominating and Governance C committee responsible for nominations. If the Board rejects a nominee, the~~

~~Nominating and Governance C~~ committee shall propose another nominee for Board consideration.

~~(vi5) Upon completion of the procedures for nomination and election of new Board members, the Board will announce the names of the new members not later than October 1 of each year. The names of all applicants who agreed to be considered by the Nominating and Governance C committee responsible for nominations shall be made available on the Board's website no later than one week after the announcement of the names of new Board members for the following fiscal year.~~

~~(vii) The Nominating and Governance Committee shall also be responsible for assisting the Board in fulfilling its oversight responsibilities regarding the effectiveness of the Board's corporate governance system.~~

(iii) Elections to Fill Vacancies. Vacancies on the Board shall be filled by vote of the members of the Board. Any person so elected to fill a vacancy shall serve for the unexpired portion of the term, or any part thereof as designated by the Board at the time of election, for which such person's predecessor was elected, provided that no member may serve for more than six years, including any partial term.

(c) Resignation, Disqualification and ~~Removal of Members~~.

(i) A member may resign from the Board by submitting a written notice of resignation to the Chair of the Board which shall specify the effective date of such member's resignation. In no event shall such date be more than 30 days from the date of delivery of such notice to the Chair. If no date is specified, the resignation shall become effective immediately upon its delivery to the Chair.

(ii) If a member's change in employment or other circumstances results in a conflict with the requirements of section (a) of this rule the member shall be disqualified from serving on the Board as of the date of the change. If the Board determines that a member's change in employment or other circumstances does not result in disqualification pursuant to this paragraph but changes the category of representative in which the Board member serves, the member will remain on the Board pending a vote of the other members of the Board, to be taken within 30 days, determining whether the member is to be retained.

(iii) ~~In the event~~ If the Board shall find~~s~~ that any member has willfully violated any provision of the Act, any rule or regulation of the Commission thereunder, or any rule of the Board or has abused his or her authority or has otherwise acted, or failed to act, so as to affect adversely the public interest or the best interests of the Board, the Board may, upon the affirmative vote of two-thirds of the whole Board (which shall include the affirmative vote of at least one public representative, one broker-dealer representative, one bank representative and one municipal advisor representative), remove such member from office the Board.

~~(d) Vacancies. Vacancies on the Board shall be filled by vote of the members of the Board. Any person so elected to fill a vacancy shall serve for the term, or any unexpired portion of the term, for which such person's predecessor was elected. For purposes of this rule, the term "vacancies on the Board" shall include any vacancy resulting from the resignation of any person duly elected to the Board prior to the commencement of his or her term.~~

~~(e) Compensation and Expenses. The Board may provide for reasonable compensation of the MSRB Chair, Committee Chairs, members of the Board, and members of any committee, including committees made up entirely of non-Board members. The Board also may provide for reimbursement of actual and reasonable expenses incurred by such persons in connection with the business of the MSRB.~~

~~(f) Affiliations. Two persons associated with the same broker, dealer, municipal securities dealer or municipal advisor shall not serve as members of the Board at the same time.~~

~~(g) For purposes of this rule:~~

~~(i) the term "Dodd-Frank Act" means the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).~~

~~(ii) the term "independent of any municipal securities broker, municipal securities dealer, or municipal advisor" means that the individual has "no material business relationship" with any municipal securities broker, municipal securities dealer, or municipal advisor. The term "no material business relationship" means that, at a minimum, the individual is not and, within the last ~~two~~ five years, was not associated with a municipal securities broker, municipal securities dealer, or municipal advisor, and that the individual does not have a relationship with any municipal securities broker, municipal securities dealer, or municipal advisor, whether compensatory or otherwise, that reasonably could affect the independent judgment or decision making of the individual. The Board, ~~or by delegation its Nominating and Governance Committee,~~ may determine that additional circumstances involving the individual constitute a "material business relationship" with a municipal securities broker, municipal securities dealer, or municipal advisor.~~

~~(iii) the terms "municipal advisor" and "municipal entity" have the meanings set forth in Section 975(e) of the Dodd-Frank Act.~~

(f) Transition.

(i) Notwithstanding any other provision of this rule, for the Board's fiscal years commencing October 1, 2020 and ending September 30, 2024, the Board shall transition to 15 Board members with four staggered classes, three of which will include four Board members and one of which will include three Board members. During this transitional period, Board members who were elected prior to July 2020 and whose terms end on or after September 30, 2020 may be considered for term extensions of one year in order to facilitate the transition.

(ii) For the Board's fiscal year commencing on October 1, 2020, the Board shall consist of 17 members, 9 of whom are public representatives and 8 of whom are regulated representatives. During this period, the Board shall be composed in accordance with section (a) in all other respects.

(iii) The amendment to subsection (e)(ii) shall apply only to individuals who are elected after the date on which the amendment is effective.

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Rule A-6: Committees of the Board

(a) - (b) No change

(c) *Public representative committee chairs.* The chair of any committee that is responsible for assisting the Board in carrying out its responsibilities regarding the following matters shall be a public representative:

- i. governance,
- ii. nominations, and
- iii. auditing.

(d) *Nominations committee membership.* A majority of the committee responsible for nominations to the Board shall be public representatives, and the committee, as a whole, shall be representative of the Board's membership.