



Lynnette Kelly

Message from the Executive Director

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

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

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

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

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

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

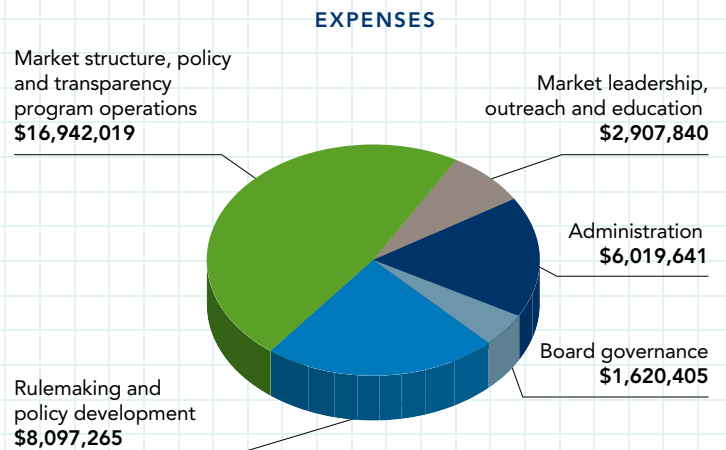
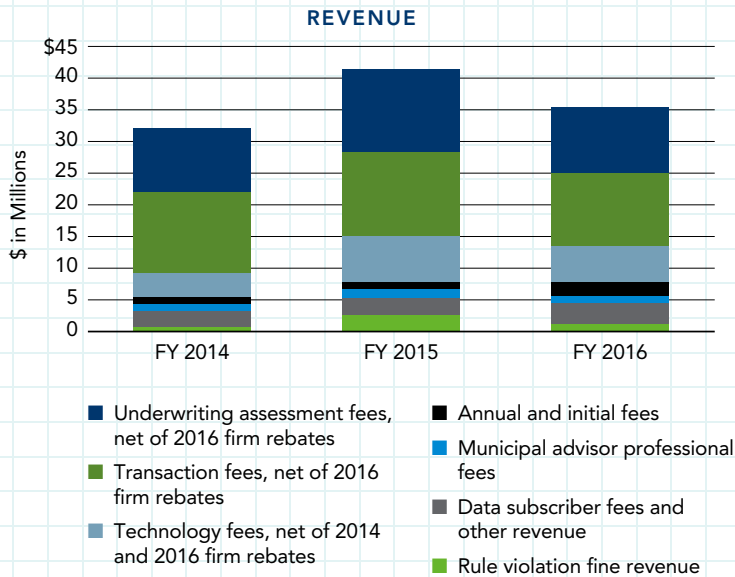
As we head into 2017, you have my commitment that we will continue the strict financial oversight that enables the MSRB to protect the \$3.8 trillion municipal market while striving to allocate the associated costs as fairly and equitably as possible.

Sincerely,

A handwritten signature in blue ink that reads "Lynnette Kelly". The signature is fluid and cursive, matching the printed name below it.

Lynnette Kelly
Executive Director

FY 2016 Financial Highlights



ANNUAL FINANCIAL HIGHLIGHTS

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

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