

40TH  
ANNIVERSARY



## PROTECTING THE PUBLIC INTEREST FOR 40 YEARS

In 2015, the MSRB marks its 40th anniversary as the regulator responsible for ensuring a fair and efficient municipal securities market.

Communities have long raised capital from investors to build bridges, schools and other public projects. The issuance of municipal bonds dates back to the early 1800s. For much of this history, banks, insurance companies and other large institutional investors were the primary customers for municipal bonds. The investor base for municipal bonds shifted in the 1970s, when tax reforms made the municipal market more attractive for retail investors. Over time, participation by communities and individual investors in the offer and purchase of municipal bonds developed into a multi-trillion dollar market.

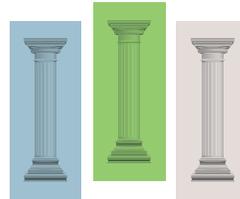
An expanding market that attracted increasing numbers of comparatively less sophisticated individual investors also attracted trouble. The absence of any regulations on sales practices, documentation or licensing led to costly consequences for municipal securities investors. Notably, retail investors were sold millions of dollars of deficit-plagued New York City bonds until the city came to the brink of default in 1975.

The fiscal crisis in New York, which deeply affected both the city and its

bondholders, drew the attention of lawmakers in Washington. With the support of the industry and the Securities and Exchange Commission (SEC), Congress created the Municipal Securities Rulemaking Board (MSRB) in June 1975. Congress charged the new self-regulatory organization with creating rules designed “to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, and processing information with respect to, and facilitating transactions in municipal securities, to remove impediments to and perfect the mechanism of a free and open market in municipal securities, and, in general, to protect investors and the public interest.”

The MSRB immediately set out to fulfill this Congressional mandate, developing standards of uniform practice, fair practice and transparency for municipal securities dealers. The creation of uniform standards of trading and delivery helped remove impediments to the development of systems of automated clearance and settlement. MSRB market leadership facilitated an orderly transition into the digital age in the early 1980s, when paper bearer bonds gave way to electronic book-entry only bonds.

New York City’s crisis was neither the first nor the last scare to strike the municipal market. In 1983, the Washington Public



## How the Three Pillars of the MSRB's Mission Contribute to 40 Years of Protecting the Public Interest

Power Supply System, whose acronym is aptly pronounced “whoops,” defaulted on more than \$2 billion in municipal bonds. The SEC, with support from the MSRB, created SEC Rule 15c2-12 to ensure that, unlike the deal team for WPPSS, dealers on other transactions receive and adequately review the terms and risks laid out in the official statement prepared by the issuer. Shortly thereafter, the MSRB developed a rule requiring disclosure of official statements to investors and created the Municipal Securities Information Library to collect disclosure documents and make them available to the public on microfiche.

The MSRB continued to monitor the market for new areas of concern, identifying the use of political contributions to secure underwriting business as a major threat to the integrity of the market. In 1994, the MSRB created Rule G-37, its landmark restrictions on pay-to-play practices, which served as a model for other rules addressing the issue of pay-to-play, including New York State's prohibitions on pay-to-play activities involving public pension funds and the SEC's rules for investment advisors.

That same year, Orange County, California declared bankruptcy after a series of risky investments left the county overextended. The situation had widespread effects on the trading activity of municipal bonds, prompting calls for stronger disclosure requirements and greater accountability around new and complex investment instruments.

The following year, the MSRB introduced daily trade reporting for trades between dealers, and added reporting of

customer trades a few years later. By 2005, the MSRB and the industry had the technological capacity to transition to the collection and dissemination of trade reports in real-time.

Technological innovation also enabled the MSRB to make perhaps its single greatest contribution to the municipal market — the launch of the [Electronic Municipal Market Access \(EMMA®\) website](#). The EMMA website has served as the official source of free public access to municipal bond trade data and disclosure documents since 2009. EMMA has evolved into an indispensable resource for the market, with interactive tools to help users understand municipal trade prices and access current information about their bonds.

In recognition of the MSRB's success with protecting municipal securities investors, Congress in 2010 broadened the MSRB's original investor protection mandate to explicitly include the protection of state and local governments and other municipal entities. To assist the MSRB in fulfilling this expanded mandate, Congress extended the jurisdiction of the MSRB to include the regulation of municipal advisors, a previously unregulated class of professionals who provide advice to municipal entities on public finance matters. The MSRB is currently focused on creating a regulatory framework for municipal advisors while continuing to explore opportunities to promote the public interest by enhancing the fairness, efficiency and transparency of the municipal securities market.



### REGULATION

MSRB rules govern the conduct of regulated entities in the areas of fair dealing, uniform practice, professional qualification, market transparency and administration.



### TRANSPARENCY

The MSRB's EMMA website provides free public access to information on virtually all municipal bonds.



### EDUCATION

The MSRB serves as a leading provider of free, objective information for all municipal market participants.