

Remarks of Nat Singer, Chair

**“Discussion with MSRB’s Nat Singer, Chair,
Board of Directors”**

at the

**Government Finance Officers Association
Debt Committee Meeting**

Toronto, Ontario

May 21, 2016

- Good morning and thank you for the opportunity to participate in your meeting today.
- I'm Nat Singer, Chair of the Municipal Securities Rulemaking Board.
- I'm joined by Ritta McLaughlin, the MSRB's Chief *Education* Officer – so I can't promise there won't be a quiz later. So please pay close attention to what I say.
- The chair of the MSRB serves only a one-year term, but through some combination of luck and impeccable timing, I have been able to push several long-term initiatives over the finish line during my tenure.
- It was a bit of a marathon, for example, creating a best-execution standard to transactions in municipal securities, but the MSRB's new rule took effect in March.
- The MSRB also is in the advanced stages of creating a mark-up disclosure rule that was 20 years in the making.
- These two rulemaking initiatives represent the MSRB's ongoing commitment to ensuring investors understand the cost of their municipal bond transactions and are confident those costs are fair.
- As Chair, I am very proud of these accomplishments that improve investor protection in our market.
- Today I'd like to focus on two comparatively new initiatives that still date back four or five years.
- And those are the development of standards of conduct for municipal advisors and the MSRB's ongoing advocacy for increased transparency around bank loans and other indebtedness of issuers.

Municipal Advisor Regulations

- As you know, the development of a regulatory framework for municipal advisors has significantly changed the relationship between issuers and their financial professionals.
- Before Dodd-Frank, while many individuals providing advice operated with integrity, others took advantage of their trusted positions for personal gain and worse.

- This was precisely why Congress charged the MSRB with establishing a set of regulations for municipal advisors and for spelling out what it means to have a fiduciary duty to their municipal entity clients.
- By this August the foundational regulations to govern municipal advisors' professional conduct will be in place.
- The complement of rules covers supervision and compliance activities and conflicts of interest that have long applied to dealers.
- A month from now a fairly comprehensive rule covering core standards of conduct for non-solicitor municipal advisors will be in effect.
- This rule will be a game-changer for municipal advisors, many of whom are not accustomed to engaging in regulated professional conduct, and will ensure that municipal entities are provided with sound advice and dealt with in good faith and on honest terms.
- And it will reduce the potentially detrimental effects of unknown conflicts of interest.
- Conflicts of interest will be further curbed in August when the MSRB's rule against pay-to-play will help ensure that municipal advisors are hired on the basis of merit, not influence gained through political donations.
- We expect that these rules—and their vigorous enforcement by the SEC and FINRA—will very quickly ensure that all municipal advisors are conducting their business with the integrity and professionalism that issuers deserve.
- The MSRB will further ensure that municipal advisors are qualified by requiring that by September 2017 they all pass a baseline test of competency for a broad range of services.
- Beginning in July we will make public the names of individuals who passed the pilot Series 50 exam and on an ongoing basis will serve as a resource for checking the qualification status of a municipal advisor.
- A current focus of the MSRB is working to ensure the issuer community is educated about what to expect from their municipal advisors, and how the new rules also affect issuers' interactions with underwriters.
- MSRB Rule G-42 and earlier changes to federal securities law do have implications for underwriters and the activities that fall within the scope of an underwriting.

- To that end, the MSRB is hosting a free lunch-time webinar this Friday for issuers on this very topic, and I expect great attendance given the assistance from GFOA to publicize this learning opportunity to its membership.
- The MSRB is very eager to do all it can to work with GFOA to support issuer education.
- The intersection we have with issuers—from the effects of our advisor and underwriter rules to the use of the EMMA website—provide lots of opportunities to engage with the issuer community.
- Friday’s webinar follows a very successful issuer education campaign focused on continuing disclosure, what we called “Click, Call and Comply.”
- The 3C campaign really resonated with issuers as we had nearly 700 attendees for the live webcast at the conclusion of the campaign.
- One nice take away from the campaign were the great questions we received about continuing disclosure submissions.
- We plan to add to an additional FAQ to the MSRB Education Center to address more specifically how to categorize and submit different types of disclosures on EMMA.

Bank Loan Disclosure

- I wish I could say we had seen that sort of positive response in the area of bank loan disclosure.
- I know that GFOA last week joined in the call for voluntary disclosure of alternative financings like bank loans and private placements.
- We too remain deeply concerned that the extent of this borrowing – and the precise terms of the loans – are hidden from the public and investors.
- The secretive nature of these transactions hinder an investor’s ability to truly understand the risks of an investment, thus frustrating the transparency, integrity, fairness and efficiency of the market.
- After urging voluntary disclosure for years to little effect, in March we went a step further, exploring possible regulatory action to improve disclosure of the amounts and material terms of alternative financings.

- Our current request for comment considers requiring municipal advisors to disclose direct purchase and bank loan information on behalf of their municipal entity clients.
- But as I know we will see from the comment letters, a regulatory approach would need to address any number of complexities and challenges that surround this issue.
- The MSRB is committed to continuing to explore all possibilities for improving disclosure of bank loans and alternative financings to bondholders.
- We certainly look forward to your comment letter, and continuing the broader discussion of this issue.

EMMA Enhancements

- I want to close with one more plug for EMMA – I truly am EMMA’s biggest fan.
- In fact when I leave the Board I am considering the new role of EMMA spokesman—I hear there’s a contract for all the media spots they want me to do.
- Even from afar, I will continue to advocate for the value of EMMA and its growing possibilities to further transform our market.
- While it’s challenging for a small regulator with limited resources to implement every great idea for EMMA, we are always open to suggestions and actively engaged in discussions about how to improve it.
- Next month we will be adding an economic calendar on EMMA and we’re exploring the possible addition of a new issue calendar and yield curves as well.
- Please continue to share your ideas for EMMA enhancements on any front, from the disclosure submission process and the types of data we collect to the way this information is displayed.

Conclusion

- Thank you again for the invitation to talk with you today.

- I am very interested to hear your thoughts on the MSRB's initiatives.
- Thank you.