

Remarks of Lynnette Kelly, Executive Director

**“Open Books: Towards Transparency in
Municipal Finance”**

at the

Lincoln Institute of Land Policy

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Introduction

- Good afternoon and thank you to the Lincoln Institute for inviting me here today.
- I have had the opportunity to work with many city officials in my 30-plus year career in public finance, including serving as General Counsel to a municipal issuer.
- I admire your dedication and commitment to serving your communities.
- You and your counterparts in state and county government share responsibility for financing the building and maintaining of our local infrastructure.
- In fact, roughly 2/3 of our nation's infrastructure is financed through the issuance of municipal bonds.
- The importance of this market – and your role in this market – cannot be underestimated.
- Municipal securities are among the tools available to finance public projects at the local level.
- However, the municipal securities market cannot function without transparency, our theme for today's lecture.
- I will begin with an overview of players in the market and how transparency is both good for the market and also has a collateral effect on "good government" practices.
- Then I will review the role of the MSRB and our EMMA website.
- You may think of us as distant regulators in Washington, but we're more like your local 311.
- Call us with questions and we can point you to a library of resources to help you open your books to investors and the public.

Transparency in Municipal Finance

- We can't talk about transparency in municipal finance without first talking about the market itself.

- Who are the players?
- How does it work?
- Because this market is made up of over 50,000 state and local governments with authority to issue bonds, most of whom come to the market very infrequently, we have created a four-minute video which is a great primer on market basics.
- It helps underscore the role of the key participants as well as their responsibilities.
- As the video shows, there are three primary participants in the municipal market.
- Transparency is critical to both investors and issuers.
- For investors, transparency ensures access to timely, accurate and complete information to make informed decisions when buying or selling municipal bonds.
- For you, the cities and other municipal entities issuing bonds, transparency protects your future access to the municipal market to raise capital, lowers your borrowing costs, and enhances your credibility with your stakeholders.
- And transparency is absolutely fundamental to a fair and well-functioning municipal market.

Role of the MSRB

- Given the importance of the municipal market for communities and investors nationwide, Congress in 1975 created a national regulator to oversee this market.
- MSRB's mission is to ensure a fair, transparent and efficient municipal market.
- We were created 40 years ago to protect investors in this market.
- Five years ago, in Dodd-Frank, the MSRB was also given the responsibility to protect issuers.
- We are the only regulator, that we are aware of, charged with protecting the issuer of securities.

- This signifies the unique role that issuers play in our market, and the need to protect those who are not frequent market participants.
- Rulemaking is in our name, but we don't write rules for issuers.
- We don't regulate issuers, nor limit or question the financing tools they employ.
- We rely on three main tools to fulfill our Congressional mandate.
- First, we write rules for the underwriters and municipal advisors you hire to work with you on issuing municipal bonds.
- Our regulations are designed to protect your interests and the interests of investors.
- Second, the MSRB also operates a public platform that supports market transparency called the EMMA website, which is your key to communicating information to investors.
- And third, MSRB provides free, objective educational materials about disclosure and other topics.

Meet EMMA

- The EMMA website is the MSRB's top tool for promoting market transparency.
- EMMA provides universal public access to municipal bond information.
- And all of this essential information about the market is provided free of charge.
- And though you may not know it, if your city issues bonds, your city's financials – and the timing by which you make them available – is known by the market.
- Importantly, other stakeholders use EMMA to obtain information about communities.
- Academics, investigative journalists, taxpayer groups, and others frequently access EMMA to better understand the fiscal health of local governments.
- Issuers have responsibilities when they issue debt to make periodic disclosures to the market.

- Annual financial and operating disclosures are required as are filings of material events which may impact the credit quality of the issuer or its bonds.
- Take the City of Cambridge, for example.
- It put up its 2015 financial report just a few weeks ago (1/11/16).
- Kudos to City Manager Richard Rossi and his team for their timely disclosure of this information to bondholders and the entire market through the EMMA website.
- On EMMA, you can search for your own city in any number of ways or drill down to a particular bond among the more than 1 million outstanding municipal bonds displayed on EMMA.
- You can see detailed information about your bonds, including current trade prices, as well as the price and features of bonds that have similar characteristics or compare the trading of your securities to similar issuers.
- EMMA provides access to market-wide data to observe trends.
- EMMA is connected to the MSRB Education Center, where you can take advantage of a library of multimedia educational resources about the muni market and using EMMA.

MSRB Resources for Issuers

- The MSRB understands that city officials often have much more on their plate than worrying about municipal bonds.
- It can be challenging to cultivate expertise in an area you may only think about once every five or ten years.
- The MSRB offers free, noncommercial support and educational resources for municipal bond issuers.
- If you have questions about the market, the roles and responsibilities of municipal finance professionals, disclosing information to investors or using EMMA, call us.
- As I mentioned, the MSRB is something of a 311 for the municipal market.

- Our MSRB Support line is available weekdays from 7:30 a.m. to 6:30 p.m. ET at 202-838-1330.
- We can also be reached by email at MSRBSupport@msrb.org.
- EMMA has a couple great free tools available exclusively to issuers.
- One is a reminder from EMMA about approaching annual or quarterly financial disclosure filing deadlines.
- There are consequences for missing your important filing deadlines.
- When an issuer signs up for an alert, you can also include additional contacts to ensure all those with a role in disclosure are alerted.
- Thousands of issuers make use of this free alert to stay on top of their disclosure.
- Secondly, every issuer has its own page on EMMA that presents information about all of a city or state's bonds:
 - Recent trade data,
 - Official statements,
 - Financial disclosures,
 - Refundings and
 - Voluntary disclosures about bank loans or other alternative financings.
- Issuers can customize this page to be more useful to investors by:
 - Updating abbreviations to plain English,
 - Confirming the list of issues associated with the issuer,
 - Providing contact information and
 - Linking to websites with more information for investors.
- MSRB Support is available for one-on-one appointments to assist with customizing an issuer homepage, but the whole process is simple and takes just minutes.
- The MSRB's online Education Center is a great source of free educational material about the municipal market.
- Resources for issuers provide introductory information about the issuance process, using EMMA and disclosing information to investors.

- These resources are available in many formats, from checklists for filing disclosures on EMMA, to podcasts and videos.

Contact Us

- If the online resources don't answer your questions, call us.
- Keep up with MSRB activities and new resources by subscribing to our email updates and following us on Twitter.
- Look forward to continuing this conversation and taking your questions.
- Thank you.