



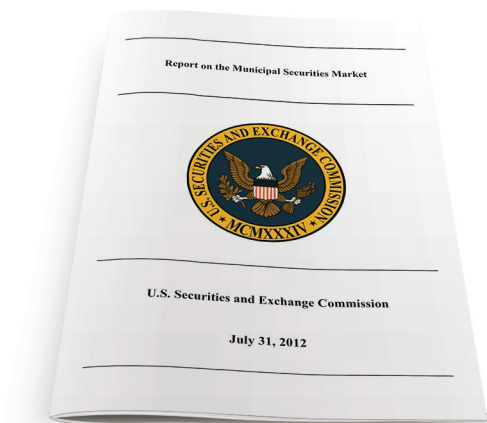
Municipal Securities Rulemaking Board

## MSRB Report Card

Completed Initiatives Aligned with Recommendations of  
SEC's 2012 Report on the Municipal Securities Market



August 2017



Since 1975, the Municipal Securities Rulemaking Board (MSRB) has been entrusted by Congress to protect municipal securities investors. Informed by the recommendations of the Securities

and Exchange Commission's (SEC) comprehensive 2012 Report on the Municipal Securities Market, the MSRB built on its strong regulatory foundation to implement better protections for investors. Broadly, these initiatives aligned with the report's recommendations on market structure and disclosure, with a focus on regulatory cooperation and efficiency.

This report card demonstrates the MSRB's completed and ongoing initiatives in support of investor protection.

## OBJECTIVES

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## ABOUT THE MSRB

The MSRB protects investors, state and local governments and other municipal entities, and the public interest by promoting a fair and efficient municipal securities market. The MSRB fulfills this mission by regulating the municipal securities firms, banks and municipal advisors that engage in municipal securities and advisory activities. To further protect market participants, the MSRB provides market transparency through its [Electronic Municipal Market Access \(EMMA®\) website](#), the official repository for information on all municipal bonds. The MSRB also serves as an objective resource on the municipal market, conducts extensive education and outreach to market stakeholders, and provides market leadership on key issues. The MSRB is a Congressionally-chartered, self-regulatory organization governed by a 21-member board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is subject to oversight by the Securities and Exchange Commission.

## OBJECTIVE: ENHANCE MARKET STRUCTURE

The MSRB has taken meaningful steps to increase price transparency in the municipal securities market and continues to work to enhance the availability of more robust pricing information for the benefit of retail investors.

SEC REPORT RECOMMENDATIONS	MSRB INITIATIVES
<p><b>The MSRB should promptly pursue enhancements to its EMMA website so that retail investors have better access to pricing and other municipal securities information.</b></p>	<p><input checked="" type="checkbox"/> Integrated third-party tools on EMMA to support understanding of market trends, including municipal market yield curves and indices, a new issue calendar and an economic calendar</p>
	<p><input checked="" type="checkbox"/> Included additional special condition indicators on EMMA to help investors understand trade data</p>
	<p><input checked="" type="checkbox"/> Created Price Discovery Tool on EMMA to help investors find and compare prices of securities with similar characteristics</p>
	<p><input checked="" type="checkbox"/> Created trade detail graphs on EMMA that plot dealer and customer trade prices to facilitate identification of pricing differentials</p>
	<p><input checked="" type="checkbox"/> Developed graphical display of historical trade data to help EMMA users visualize trading trends</p>
	<p><input checked="" type="checkbox"/> Incorporated new issuance data into EMMA Market Statistics section</p>
	<p><input checked="" type="checkbox"/> Introduced MyEMMA customized user accounts to enhance investor access to EMMA information through email subscription services</p>
	<p><input checked="" type="checkbox"/> Provided display of initial offering price and yield on EMMA</p>
	<p><input checked="" type="checkbox"/> Amended MSRB rules to display in real-time on EMMA par value on all transactions of \$5 million or less</p>
	<p><input checked="" type="checkbox"/> Expanded access to credit ratings on EMMA with addition of Kroll Bond Rating Agency and Moody's Investors Service</p>
	<p><input checked="" type="checkbox"/> Provided free educational webinars and tutorials on using EMMA features</p>
	<p><input checked="" type="checkbox"/> Improved calculation of bid-to-cover ratios for auction rate securities</p>

## OBJECTIVE: ENHANCE MARKET STRUCTURE *(continued)*

SEC REPORT RECOMMENDATIONS	MSRB INITIATIVES
<p>The Commission and the MSRB could consider ways to encourage the use of ATs or similar electronic networks that widely disseminate quotes and provide fair access.</p>	<p> New MSRB Rule G-18 on best execution should promote broader use of ATs</p>
<p>The MSRB should consider a rule that would require municipal bond dealers to seek “best execution” of customer orders for municipal securities.</p>	<p> Created new MSRB Rule G-18 on “best execution” of customer orders for municipal securities</p> <p> Published best execution guidance for dealers</p>
<p>The MSRB could consider rules requiring a brokers’ broker with material transaction or dollar volume in municipal securities to publicly disseminate the best bid and offer prices on any electronic network it operates and, on a delayed and non-attributable basis, responses to “bids wanted” auctions.</p>	<p> Collected extensive public feedback on developing a central transparency platform for pre- and post-trade data</p> <p> Collecting and analyzing voluntary pre-trade data from ATs and broker’s brokers</p>
<p>The Commission and the MSRB should consider initiatives to improve the understanding of retail investors as to the various ways they might buy or sell a municipal bond, and relative advantages and disadvantages of each.</p>	<p> Published educational materials for retail investors on the way bonds are bought and sold</p>
<p>The MSRB should consider issuing more detailed interpretive guidance to assist dealers in establishing the “prevailing market price” for a municipal security, for purposes of determining whether the price offered a customer (including any markup or markdown) is fair and reasonable.</p>	<p> Issued draft guidance to assist dealers in establishing the “prevailing market price” of a municipal security</p>
<p>The MSRB should consider requiring municipal bond dealers to disclose to customers, on confirmations for riskless principal transactions, the amount of any markup or markdown.</p>	<p> Implemented mark-up disclosure rule for municipal securities transactions</p> <p> Provided implementation guidance on mark-up disclosure for municipal securities dealers</p>

## OBJECTIVE: **ENHANCE MARKET STRUCTURE** *(continued)*







SEC REPORT RECOMMENDATIONS	MSRB INITIATIVES
<p>The MSRB could consider requiring municipal bond dealers to report “yield spread” information to its Real-Time Transaction Reporting System to supplement existing interest rate, price and yield data.</p>	<p> In the process of combining third-party yield curve and MSRB trade data on EMMA to show the yield spread of a security over time</p>

## OBJECTIVE: **IMPROVE DISCLOSURE PRACTICES**

Since 2009, the MSRB has worked to help improve disclosure practices of municipal securities issuers through the operation and enhancement of its EMMA website. In recent years, the MSRB has played a leading role in educating issuers about disclosure best practices and has helped build consensus on issuer disclosure of all types of debt.





SEC REPORT RECOMMENDATIONS	MSRB INITIATIVES
<p>The Commission should continue to work with the MSRB to enhance EMMA.</p>	<p> Enhanced the ability of investors to locate available bank loan disclosures on EMMA</p>
	<p> Enabled issuers to submit bank loan disclosures to EMMA</p>
	<p> Provided access to disclosures for Achieving a Better Life Experience (ABLE) programs</p>
	<p> Created automated email reminders to assist issuers with timely filing of periodic financial disclosures to EMMA</p>
	<p> Launched pilot feature on EMMA to provide issuers with unique homepages to enhance accessibility of disclosures</p>
	<p> Integrated political contribution disclosures on EMMA, including disclosures concerning bond ballot campaigns</p>
	<p> Enhanced EMMA search functionality to facilitate access to disclosures</p>
	<p> Added feature to help investors locate information about securities that receive new security identifiers following changes to payment of debt service</p>
	<p> Integrated municipal asset-backed security disclosures from SEC Form ABS-15G on EMMA</p>

## OBJECTIVE: **IMPROVE DISCLOSURE PRACTICES** *(continued)*

SEC REPORT RECOMMENDATIONS	MSRB INITIATIVES
<p><b>Municipal market participants should follow and encourage others to follow existing industry best practices and expand and develop additional best practice guidelines in a number of areas to enhance disclosures and disclosure practices in the municipal securities market.</b></p>	<ul style="list-style-type: none"> <li data-bbox="716 317 1513 415">  Published a set of guiding principles for issuers seeking to enhance their disclosure practices                 </li> <li data-bbox="716 415 1513 514">  Released market advisory to help issuers understand practices in submitting of financial disclosures to EMMA                 </li> <li data-bbox="716 514 1513 684">  Produced multimedia educational resources on financial disclosure, including a podcast reviewing the requirements under SEC Rule 15c2-12 and resources on using EMMA to comply                 </li> <li data-bbox="716 684 1513 814">  Published market advisories calling for additional transparency of undisclosed bank loans, additional debt in any form and debt-like obligations                 </li> <li data-bbox="716 814 1513 921">  Published directory of industry resources about disclosure best practices                 </li> </ul>
<p><b>The Commission could consider amendments to Exchange Act Rule 15c2-12 to further improve the disclosures made regarding municipal securities.</b></p>	<ul style="list-style-type: none"> <li data-bbox="716 926 1513 1119">  Provided comment letter to SEC offering assistance in review of Rule 15c2-12 to ensure it reflects current market practices, including increasing reliance on bank loans                 </li> </ul>

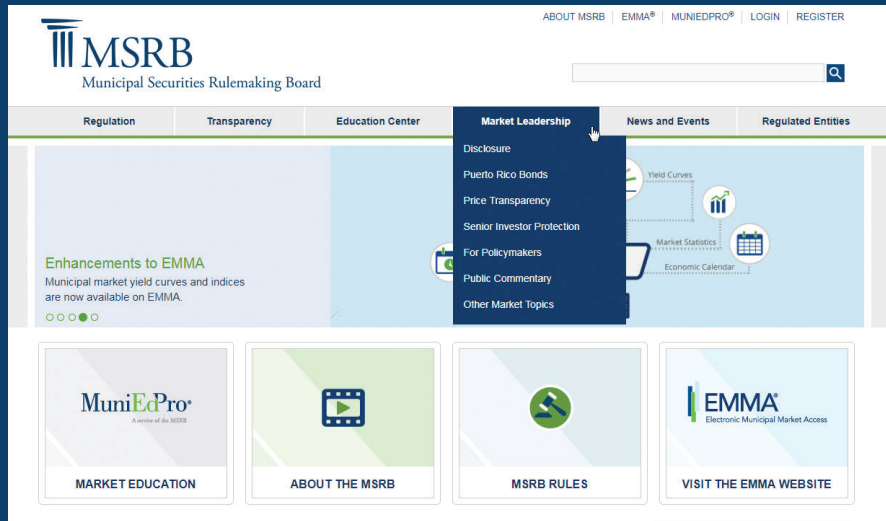
## OBJECTIVE: **PROMOTE REGULATORY EFFICIENCY**

The MSRB promotes regulatory efficiency by ensuring that new and existing municipal securities regulations function as efficiently as possible and are consistent with those of other regulators as appropriate.

SEC REPORT RECOMMENDATIONS	MSRB INITIATIVES
<p><b>The Commission should continue the collaborative work with the MSRB, especially in identifying potential rule changes or new rules that could address some of the issues discussed in this Report.</b></p>	<ul style="list-style-type: none"> <li data-bbox="716 1446 1513 1545">  Modernized MSRB Rule G-26 on customer account transfers                 </li> <li data-bbox="716 1545 1513 1682">  Updated MSRB Rule G-10 on handling of customer complaints                 </li> <li data-bbox="716 1682 1513 1791">  Improved efficiency of close-out procedures by amending MSRB Rule G-12                 </li> <li data-bbox="716 1791 1513 1881">  Facilitated industry-wide shift to T+2 settlement cycle with amendments to MSRB Rules G-12 and G-15                 </li> </ul>

## OBJECTIVE: **PROMOTE REGULATORY EFFICIENCY** *(continued)*

SEC REPORT RECOMMENDATIONS	MSRB INITIATIVES
<p><b>The Commission should continue the collaborative work with the MSRB, especially in identifying potential rule changes or new rules that could address some of the issues discussed in this Report.</b> <i>(continued)</i></p>	<input checked="" type="checkbox"/> Codified gift-giving guidance under MSRB Rule G-20 and incorporated guidance published by FINRA
	<input checked="" type="checkbox"/> Increased flexibility of Regulatory Element continuing education by permitting web-based delivery
	<input checked="" type="checkbox"/> Revised MSRB Rule G-19 to generally harmonize its provisions with FINRA’s suitability rule
	<input checked="" type="checkbox"/> Codified existing Rule G-17 guidance on the time-of-trade disclosure obligations of dealers
	<input checked="" type="checkbox"/> Clarified retail order periods to ensure issuers can provide investors with access to bonds in the primary market and required underwriters to communicate issuer’s retail order requirements to the syndicate
	<input checked="" type="checkbox"/> Amended MSRB Rule G-11 to limit dealers from consenting to amendments to bond authorizing documents for municipal securities except in limited circumstances
	<input checked="" type="checkbox"/> Amended MSRB Rule G-39 on telemarketing to more closely align with similar rules of the Federal Trade Commission
	<input checked="" type="checkbox"/> Adopted new fair pricing Rule G-30 that combines elements of Rule G-18 and former Rule G-30, and incorporates Rule G-17 interpretive guidance on fair pricing
	<input checked="" type="checkbox"/> Conducted review of uniform practice rules to identify opportunities for modernization of outdated or redundant regulations



Visit the “Market Leadership” area of the MSRB’s website at [www.msrb.org](http://www.msrb.org) to read more about the MSRB’s investor protection initiatives and expert analysis on market topics.



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