



MSRB

Municipal Securities
Rulemaking Board

Information for
Municipal
Securities
Investors

- ▶ **Rules Protecting The Investor**
- ▶ **Investor Disputes With Dealers**

The *Municipal Securities Rulemaking Board* was created by Congress in 1975 to make rules regulating the municipal securities activities of brokers, dealers and municipal securities dealers ("dealers"). The Board is composed of 15 members who are divided into three equal categories — persons representing bank dealers, securities firms and the public.

The *MSRB* is subject to oversight by the Securities and Exchange Commission, and its rules must be approved by the Commission. It is financed by fees and assessments paid by securities firms and banks engaged in municipal securities activities.

► Rules Protecting the Investor

The main purpose of the Board's rules is to protect investors who buy or sell municipal securities. Toward that end, the Board has adopted rules that require dealers to deal fairly with investors.

When a dealer recommends a municipal security to an investor, the Board's rules specifically require that the recommendation be suitable to the investor's financial situation and investment objectives. Advertisements about municipal securities must not be false or misleading.

In addition, before selling a municipal security to an investor, the dealer must share with the investor all material information about the security necessary for the investor to make an informed investment decision. The investor should consider all relevant features of the security, including its yield, tax status and call or put features.

The dealer must buy and sell a municipal security at a fair and reasonable price, based on its best judgment of the security's fair market value. No dealer may guarantee an investor against a loss on an investment in a municipal security.

After buying or selling a municipal security, a dealer must send a written confirmation to the investor containing the identities of the parties to the transaction, a description of the security, the date of the sale, the security's price and yield, the capacity in which the dealer is acting, the existence of any call or put features and the availability of specific information about those

features. The dealer also must provide the purchaser of a new issue municipal security with a copy of the official statement if one is prepared by the issuer.

The Board's rules apply to municipal securities only. They do not apply to unit investment trusts, bond funds or other, similar investment programs issued by investment companies. Municipal securities generally are defined as direct obligations issued by a state, county, city or any of their political subdivisions, such as a school district or a housing authority.

► Investor Disputes with Dealers

An investor who has a dispute with a dealer should try to resolve it with the sales representative or the representative's supervisor. If the dispute cannot be resolved, the investor may file a claim with the Financial Industry Regulatory Authority's arbitration program for possible restitution of an unfair monetary loss. Information about FINRA's arbitration program may be obtained by writing to FINRA at 1735 K Street, N.W., Washington, D.C., 20006, Attn: Dispute Resolution. The investor also may file a complaint with the regulatory agency that examines the dealer for compliance with Board rules.

Complaints. An investor who believes a dealer has been unfair or that Board rules or federal securities laws have been violated may file a complaint with the

SECURITIES AND EXCHANGE COMMISSION
100 F STREET N.E.
WASHINGTON, D.C. 20549

**Complaints also may be filed with
the appropriate agency listed below.**

For securities firms

FINANCIAL INDUSTRY REGULATORY AUTHORITY
1735 K STREET N.W.
WASHINGTON, D.C. 20006
ATTN: FIXED INCOME SECURITIES REGULATION

**For state banks that are *not* members of the
Federal Reserve Board**

FEDERAL DEPOSIT INSURANCE CORPORATION
550 17TH STREET N.W.
WASHINGTON, D.C. 20429
ATTN: PLANNING & PROGRAM DEVELOPMENT SECTION
DIVISION OF SUPERVISION AND CONSUMER PROTECTION

**For state banks that *are* members of the
Federal Reserve System**

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
20TH AND C STREETS N.W.
WASHINGTON, D.C. 20551
ATTN: MARKET AND LIQUIDITY RISK SECTION
DIVISION OF BANKING SUPERVISION AND REGULATION

For national banks

OFFICE OF THE COMPTROLLER OF THE CURRENCY
250 E STREET S.W.
WASHINGTON, D.C. 20219
ATTN: CREDIT AND MARKET RISK MS 9-14

For savings associations

OFFICE OF THRIFT SUPERVISION
1700 G STREET N.W.
WASHINGTON, D.C. 20552
ATTN: TRUST AND SPECIALTY PROGRAMS

These agencies examine dealers for compliance with Board rules and federal securities laws.

Anyone who wishes to communicate with the MSRB or obtain a copy of its rules may contact:

MUNICIPAL SECURITIES RULEMAKING BOARD
1900 DUKE STREET, SUITE 600
ALEXANDRIA, VA 22314-3412
TELEPHONE: (703) 797-6600
FAX: (703) 797-6700

The Board's rules are also available at its Web site: www.msrb.org.