



# The Municipal Advisor's Introduction to MSRB Rules

As the principal regulator in the municipal securities market, the Municipal Securities Rulemaking Board (MSRB) develops rules for financial professionals designed to ensure a fair and efficient market by preventing fraud and other unfair practices, establishing professional qualifications, supporting market transparency and applying uniform practices to the industry. Among these rules are those that regulate the activities of municipal advisors and clarify their obligations to the state and local governments and other municipal entities that engage their services. Understanding the rulemaking process and how MSRB rules are structured can assist municipal advisors in participating in the development of rules, anticipating the timeline for regulatory implementation and putting the rules into practice.

*The MSRB engages market participants to assist in identifying issues in the municipal securities market.*

## MSRB Rulemaking Process

The MSRB's responsibility to write rules for the municipal securities market is described in Section 15B of the Securities Exchange Act. Under the Act, MSRB rules are to be designed to prevent fraudulent and manipulative acts and practices; facilitate transactions in the municipal securities and municipal financial products; remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products; and protect investors, state and local government issuers, other municipal entities and the public interest.

The MSRB's rulemaking process generally follows the below steps:

- Issue identification and economic analysis of any regulatory approach the MSRB considers proposing
- Request for public comment

- Review of comments and possible amendment of proposal
- Filing with the Securities and Exchange Commission (SEC), which reviews and determines whether to approve MSRB rules
- SEC publication in the Federal Register and solicitation of public comment
- Review of comments and possible amendment of proposal
- SEC approval or disapproval

Depending on the complexity of the issue and the extent of comments on a proposed rule, some steps of the process may be repeated, delayed or changed as appropriate.



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## Issue Identification and Economic Analysis

The MSRB engages market participants through outreach events, conferences, calls, webinars and other means to assist in identifying issues in the municipal securities market. The MSRB also monitors market activity, new products and enforcement activities, and engages with fellow regulators on potential issues. Once an issue is identified, the MSRB determines whether rulemaking is warranted or if there are alternatives to rulemaking such as producing educational content or developing a market transparency initiative. The MSRB has instituted a [formal economic analysis policy](#) to assist in rigorous assessment of the potential implications of possible approaches to addressing market issues. If the MSRB determines that it is appropriate to develop a rule in response to an identified issue, the development of the rule proposal is informed by this economic analysis.

*Market participants are invited to engage in the rulemaking process by submitting a response to a request for comment or concept proposal.*

the key provisions of the rule proposal, specific questions directed to market participants and the full text of the rule proposal.

The MSRB may determine that preliminary information is needed before evaluating whether a rule proposal may be warranted. In these cases, the MSRB publishes a concept proposal to seek comment on the issue and a proposed method of addressing it in advance of developing a rule proposal.

Market participants are invited to engage in the rulemaking process by submitting a response to a request for comment or concept proposal during the designated comment period. These comments help inform the rulemaking process and improve the quality and effectiveness of rulemaking. All comment letters received, including any identifying information, are published on the MSRB's website. [Learn more about submitting comment letters and participating in the rulemaking process.](#)



## Request for Public Comment

The MSRB solicits public comment on its rule proposal to learn more about potential implications of the rule for regulated entities and the expected benefits of the rule for the fairness and efficiency of the market. A [request for comment](#) is published on the MSRB's website as a [regulatory notice](#). It typically contains general background on the regulatory issue and the outcomes the rule proposal aims to achieve, a brief summary of



## Review of Comments Received

The MSRB reviews all comment letters and evaluates whether, and to what extent, the proposed rule should be revised in light of comments received. If the MSRB determines that revision is necessary, additional public comment may be requested on the revisions. This process may continue a number of times until the MSRB concludes that a proposed rule appropriately balances competing considerations and represents the best approach to address the underlying issue.



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### SEC Filing

Rule proposals are then filed with the SEC, the federal agency responsible for oversight of the MSRB. [SEC filings](#) are public documents that are published on the MSRB's website. Filings typically contain general background information on the issue and the development of the rule proposal, an assessment of any burden on competition and why it is necessary and appropriate, a summary of the comments received and related MSRB responses, as well as a detailed description of the rule proposal. Filings will typically be accompanied by a number of exhibits including complete copies of the MSRB request(s) for comment and the related comment letters received.

Once a rule proposal has been filed, the SEC must determine whether to publish the proposal for additional public comment within 15 calendar days. The MSRB may choose to withdraw a rule proposal that has been filed with the SEC due to market or other considerations.



### Publication in the Federal Register

The SEC publishes the MSRB's rule proposal in the [Federal Register](#), the official publication of the federal government for rules, proposed rules and notices. In this publication, the SEC seeks additional public comment on the proposed rule. The comment period generally lasts 21 days.

The MSRB responds to significant comments received by the SEC. The MSRB may determine to revise a rule proposal in light of the comments received by filing an amendment with the SEC. Depending on the nature of

comments and amendments, the rule proposal may be republished for comment in the Federal Register. This process may be repeated as necessary.



### SEC Approval

The SEC reviews the full record on a rule proposal and determines whether to approve the rule proposal in accordance with applicable statutory standards. Once approved, MSRB rules have the force and effect of federal law. The MSRB publishes a regulatory notice on its website and the SEC publishes its approval order in the Federal Register to announce rule approval and to notify regulated entities of the rule's effective date. Commonly, rules take effect 60 days after publication in the Federal Register.

If the rule proposal is particularly complex or raises unresolved issues, the SEC may extend its time for consideration of a rule proposal by conducting proceedings to determine whether to approve or disapprove, which can extend the time for SEC action up to 240 days from the initial publication in the Federal Register.

### MSRB Rule Structure

The MSRB has structured its rules into three categories to indicate at a glance the purpose of the rule. Administrative rules, designated with the letter "A" and a unique number, set forth the structure, authority and membership of the MSRB and assessments and fees. Definitional or "D" rules provide definitions for terms used in MSRB rules, although definitions specific to a particular rule may be contained within the text of that rule or be further explained in interpretive guidance associated with a rule.

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Currently effective MSRB rules are located on the MSRB's website.

General or "G" rules create responsibilities and standards for dealers effecting municipal securities transactions and for municipal advisors that engage in municipal advisory activities. The majority of the MSRB's rules are in this category. The MSRB created five subcategories to indicate the regulatory objective of each G rule, including:

- **Professional qualifications** — rules that establish qualifications for conducting business
- **Fair practice** — rules that protect investors, municipal entities, obligated persons and the general public
- **Uniform practice** — rules that ensure consistent behavior of regulated entities in the marketplace
- **Market transparency** — rules that provide for the full and timely flow of information to the marketplace
- **Regulated entity administration** — rules that set internal requirements for firms

MSRB rules are either prescriptive or principles-based. Prescriptive rules detail all the requirements for complying with the rule, such as recordkeeping. Principles-based rules set forth a broad concept that regulated entities must take into consideration in the course of their conduct. Principles-based rules take into account that some areas of rulemaking are more appropriately addressed through standards rather than rules, particularly where a one-size-fits-all approach might impose an unnecessary burden on certain types of dealers or municipal advisors or the scope of activity involved makes the prescriptive approach cumbersome.

## Rule Format

Rules vary in length, with some consisting of one sentence while others have multiple sections indicated with letters and numerals.

The MSRB is committed to aligning the format of its rules with the rules of other regulators as appropriate. To this end, new rules proposed by the MSRB feature supplementary material following the initial statement of the rule to help explain or provide clarification on particular aspects of the rule.

Rules may also contain interpretive notices or interpretive letters. Interpretive notices help explain a particular rule or topic. Interpretive letters respond to specific letter inquiries regarding the application of an MSRB rule to a particular situation. The MSRB's [policy on providing rule interpretations](#) is available on the website.

Applicable interpretive notices and letters are of particular importance in understanding and complying with principles-based rules. For example, [MSRB Rule G-17](#) sets forth a general duty of fair dealing, but does not explicitly state what that obligation means in every context. However, interpretive guidance promulgated under the rule provides further guidance into the scope of the fair dealing obligation in many circumstances.

## Accessing MSRB Rules

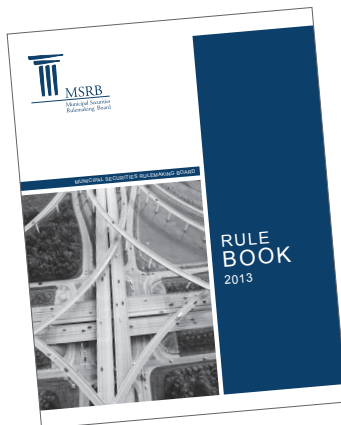
[Currently effective MSRB rules](#) are located on the MSRB's website. Rules may be sorted by category and subcategory. The MSRB also provides information on [upcoming changes](#) to its rules. To view only rules that apply to municipal advisors and/or municipal securities dealers providing financial advisory



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services, click the “Rules for” tab and select the [“Municipal Advisor” role](#) from the drop-down menu. Note that municipal securities dealers that provide financial advisory services currently are subject to a more comprehensive set of rules than non-dealer municipal advisors. Additional rules for municipal advisors are being developed and will be added to the MSRB’s website when effective.

Any available supplementary material can be accessed by scrolling to the bottom of the text of a rule. The page for each rule that includes interpretations features separate tabs to access the full text of all interpretative notices or letters in chronological order.



The MSRB also makes available on its website a PDF version of its rules. Municipal advisors should note the date on the cover of the PDF as any rule changes, or interpretations released after that date are not reflected in the PDF.

Municipal advisors may find the PDF useful for

searching the entire library of MSRB rules for particular keywords, and printing a full version of current MSRB rules, if desired.



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