



Municipal Securities Rulemaking Board



The Role and Jurisdiction of the MSRB

Jurisdiction of the MSRB

The MSRB was established by Congress in 1975 under the Securities Exchange Act of 1934 (the “Exchange Act”) as a self-regulatory organization with a mandate to regulate the activities of broker-dealers and banks that buy, sell and underwrite municipal securities. Congress expanded the MSRB’s authority in 2010 to include the regulation of municipal advisors — the firms (and their financial professionals) that provide advice to state and local governments and other municipal entities about the issuance of bonds and municipal financial products. The MSRB, while not a government entity, is nonetheless under the oversight of Congress and the Securities and Exchange Commission (SEC), and its rules generally must be approved by the SEC before becoming effective.

The mission of the MSRB is to protect investors, state and local governments, and the public interest, by promoting a fair and efficient municipal securities market.

The mission of the MSRB is to protect investors, state and local governments, and the public interest, by promoting a fair and efficient municipal securities market. The MSRB uses three key tools to accomplish its mission:

- The MSRB establishes rules for the municipal securities dealers and municipal advisors that engage in municipal securities and municipal advisory activities. Notably, in 2016, the MSRB completed development of the core regulatory framework for municipal advisors, implementing a regime mandated by Congress under the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- The MSRB supports market transparency by making trade data and disclosure documents available on its [Electronic Municipal Market Access \(EMMA®\) website](#), the official repository for information on virtually 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.

While the MSRB is the principal regulator of the municipal securities market, the MSRB does not enforce its rules or conduct compliance examinations. The MSRB instead collaborates extensively with the SEC in its oversight of the municipal market, and provides enforcement support to regulatory authorities that examine for compliance with and enforce MSRB rules, including the Financial Industry Regulatory Authority (FINRA) and federal bank regulators. The MSRB frequently provides rule interpretations and training for examiners, and facilitates access to municipal market information in support of their examinations and enforcement activities. Frequent communications and information sharing also occur between the MSRB and other federal regulators, such as the Internal Revenue Service, which enforces tax laws related to municipal securities.

Role of the MSRB

Investor Protection

As part of its mission to protect investors, the MSRB creates rules with specific obligations for municipal securities dealers and personnel in their conduct with customers. MSRB rules that serve to protect investors in municipal securities include:

- [MSRB Rule G-19](#), requiring a dealer to have reasonable grounds for believing that a recommendation made to an investor is suitable for the investor.
- [MSRB Rule G-47](#), requiring municipal securities dealers to disclose to customers all material information known (or available from an established industry source) about a transaction and security at or prior to the time of trade.
- [MSRB Rule G-15](#), prohibiting dealers from effecting a customer transaction in municipal securities in an amount below the minimum denomination of the issue, subject to limited exceptions. Issuers often set high minimum denominations for non-investment grade bonds. The minimum denomination standard helps to ensure that bonds are not sold to retail investors for whom such bonds may not be suitable.
- [MSRB Rule G-17](#), obligating dealers to deal fairly with all persons and not engage in any deceptive, dishonest, or unfair practice in the conduct of their municipal securities activities.
- [MSRB Rule G-18](#), requiring municipal securities dealers to seek the most favorable terms reasonably available for their retail customers' transactions.
- [MSRB Rule G-30](#), requiring prices and commissions to be fair and reasonable in principal or agency transactions effected by dealers with customers.
- [MSRB Rules G-2](#) and [G-3](#), establishing professional qualification standards for municipal securities professionals and outlining requirements regarding continuing education.

As part of its mission to protect investors, the MSRB creates rules with specific obligations for municipal securities professionals in their conduct with customers.

Although the MSRB's rules, transparency initiatives and education program are primarily focused on protecting individual investors, as well as issuers and other municipal entities, many different types of investors participate in the municipal market. Mutual funds, trust departments, banks, insurance companies and hedge funds all have a significant presence in the municipal market. Individual investors have many choices in how they access the municipal market. If an individual investor wants to actively participate in his or her investment decisions, the investor can open a traditional brokerage account, working with a financial advisor. If an investor wants to give discretion over an account to a municipal bond professional, he or she can open a separately managed account (SMA), where an investor pays a fee for professional portfolio management. Individual investors can also purchase municipal bond mutual funds or Exchange Traded Funds (ETFs).

Issuer Protection

With the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010, Congress expanded the MSRB's authority to include the regulation of municipal advisors — professionals that municipal entities may hire to act in a fiduciary capacity and provide advice regarding the issuance of municipal bonds or on municipal financial products. Congress also broadened the MSRB's original investor protection mandate to explicitly include the protection of municipal entities, including state and local government issuers and 529 college savings plan sponsors. As such, the MSRB has established the principles set out below to guide its protection activities.

The MSRB protects municipal entities by:

1. Establishing rules for municipal securities dealers and municipal advisors designed to promote fair, efficient and transparent transactions; prevent fraudulent, manipulative and other unfair practices; and address dealer and advisor conflicts of interest;
2. Collecting and disseminating market information to ensure that the underwriting and trading of municipal bonds, and provision of advice on municipal fund securities, are conducted in compliance with MSRB rules;
3. Providing market leadership, outreach and education to promote a broad market understanding of regulatory developments that may affect market participants; and
4. Coordinating with governmental agencies and other regulatory and non-regulatory organizations to encourage effective municipal market regulation.

The MSRB makes disclosure documents available for free on its EMMA website.

Transparency

A key way the MSRB protects investors and municipal entities in the municipal market is by increasing the transparency and availability of market information. Because the MSRB provides free access to municipal bond offering documents, continuing disclosures, trade prices, interest rates and other information, investors and others can better understand the terms, characteristics and risks of a particular municipal security. Importantly, this information is disseminated broadly and made available to market participants at the same time to ensure equal access for retail as well as professional investors.

- The MSRB makes official statements available for free on its EMMA website. Underwriters are required by the MSRB to provide these documents along with related information about the initial issuances of municipal securities to the MSRB. In 2016, the MSRB received nearly 14,000 primary market submissions.
- Since July 2009, EMMA has served as the centralized repository of all continuing disclosures in the municipal market pursuant to SEC Rule 15c2-12. The MSRB receives nearly 14,000 continuing disclosures per month, which include ongoing financial disclosures and notices of the occurrence of significant events that can affect existing bondholders.

- Dealers are also required to report all trades in municipal securities on a real-time basis to the MSRB. The MSRB is the only comprehensive source of data on approximately 35,000 daily municipal market transactions.
- The EMMA website is the only consolidated source of current long-term ratings and underlying or unenhanced ratings for municipal securities provided by Fitch Ratings, Inc., Kroll Bond Rating Agency, Inc., Moody's Investors Service, Inc. and Standard & Poor's Ratings Services.

Education and Outreach

Providing educational resources about the municipal securities market supports the MSRB's mission to protect investors, state and local government issuers, and other municipal entities. By providing high-quality educational content to market stakeholders and others, the MSRB enhances market understanding and promotes a fair, efficient and transparent municipal market. As part of its education program, the MSRB operates an online [Education Center](#). The MSRB's Education Center provides free educational resources on the municipal market, with specific material targeted to municipal securities investors and state and local governments.

The MSRB recently released an expanded education program for municipal market participants focused on market fundamentals and MSRB rules. [MuniEdProSM](#) is a suite of interactive, online courses designed specifically for municipal market participants. The courses provide up-to-date content relevant to municipal market activities and MSRB regulations. MuniEdProSM courses allow the learner to apply MSRB rules to real-world scenarios. Explore MuniEdProSM at [MSRB.org](#).

Municipal Securities Disclosure

In the Exchange Act, Congress gave the MSRB authority to regulate the activities of broker-dealers in connection with transactions in municipal securities and the activities of municipal advisors in advising municipal entities on the issuance of municipal securities. At the same time however, Congress has placed clear limits on the subjects the MSRB can regulate. Most importantly, although the MSRB can and does receive information and disclosures from issuers for public dissemination, the statute does not authorize the MSRB to regulate issuers of municipal securities. It also specifically states that the MSRB cannot require issuers of municipal securities directly, or indirectly through rules imposed on broker-dealers or municipal advisors, to provide the MSRB any document or information with respect to the issuer unless it is generally available from a source other than the issuer. The MSRB is thus prohibited from imposing disclosure obligations on issuers of municipal securities. The MSRB does, however, play an important role in making disclosure information related to municipal securities freely available to the public through its EMMA website.

While the MSRB does not establish requirements for the content or timing of disclosures, it does, as part of its investor protection mandate, provide a number of tools and resources to promote more timely and complete disclosure on the part of municipal securities issuers. The MSRB's Education Center offers several disclosure

The MSRB's Education Center provides free educational resources on the municipal market, with specific material targeted to municipal securities investors and state and local governments.

resources, including a market transparency advisory detailing issuers' disclosure obligations and how they can use EMMA to meet them.¹ More than 9,000 municipal entities have also taken advantage of free email reminders from EMMA to alert them when their recurring disclosures are due. The MSRB also allows state and local government issuers to voluntarily submit additional categories of information to the EMMA website, such as annual budgets or the existence of bank loan financings, in order to provide bondholders and potential investors with key information useful in assessing their current holdings of municipal securities or in making investment decisions.

Issuers' Disclosure Obligations

The regulatory framework for issuer disclosure is established by the SEC under the Exchange Act, which prohibits fraudulent, inaccurate or misleading information in disclosures to investors, as well as the misleading omission of material information. Liability for fraudulent misstatements or omissions by issuers is enforced by the SEC. Further, SEC Rule 15c2-12 requires dealers, when underwriting certain types of municipal securities, to ensure that the state or local government issuing the bonds enters into an agreement to provide certain information about the securities on an ongoing basis. These continuing disclosure agreements normally require the submission of annual financial information, including audited financial statements and event notices, to the MSRB's EMMA website, among other information.

The Governmental Accounting Standards Board establishes generally accepted accounting principles (GAAP), which many, but not all, state and local governments adhere to in the development of their annual financial information. However, the use of GAAP principles is not mandated, and state requirements regarding the content and timing of state and local government financial statements may vary. This differs from the corporate bond market, where federal securities laws authorize the SEC to mandate accounting and financial reporting standards.

Many municipalities make information available to their constituents and other interested persons such as bondholders through various mediums including their own website. These websites often contain the financial information a municipality is required to file with the MSRB, as well as additional information such as budgets, projections and other important news or updates.

The regulatory framework for issuer disclosure is established by the SEC under the Exchange Act.

¹ See MSRB Notice 2013-18, MSRB Market Transparency Advisory — Suggested Practices in Submitting of Financial Disclosures to EMMA, (August 12, 2013).



CORPORATE OFFICE
Municipal Securities
Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005
202-838-1500

MSRB SUPPORT
202-838-1330

ONLINE
msrb.org
emma.msrb.org
Twitter: @MSRB_News