

2017-22

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Stakeholders

Municipal Securities
Dealers, Municipal
Advisors, Issuers,
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Notice Type

Request for Comment

Comment Deadline

December 22, 2017

[Extended to
February 9, 2018 on
December 4, 2017]

MSRB Seeks Input on Compliance Support

[Comment deadline extended on December 4, 2017. See [Notice 2017-23](#)].

Background

The Municipal Securities Rulemaking Board (MSRB) is seeking comment on how to most effectively further its strategic goal of facilitating compliance and advancing understanding of current MSRB regulatory requirements for brokers, dealers and municipal securities dealers (collectively, “dealers”) and municipal advisors.¹ To inform commenters’ responses, this notice details the MSRB’s existing approach to compliance support so that commenters can provide more tailored input and perspectives. This request for comment is intended to inform the development of compliance assistance, and the MSRB is not seeking comment as a precursor to initiating rulemaking.

As a self-regulatory organization, the MSRB already benefits from the significant experience and expertise of participants in the municipal securities marketplace who serve on its Board of Directors. The MSRB Board of Directors includes 10 members who are representatives of MSRB-regulated broker-dealers, banks and municipal advisors and 11 members who are public, including investor and issuer representatives.² The MSRB has a statutory mandate to promote a fair and efficient municipal market and protect investors, issuers and the public interest.

The MSRB recognizes the value of the varied perspectives of municipal market participants and strives to ensure that its decisions regarding current priorities and strategic initiatives are informed by an analysis of input from

¹ <http://www.msrb.org/News-and-Events/Press-Releases/2017/MSRB-Announces-New-Strategic-Goals.aspx>.

² By law, all individuals must be knowledgeable about the municipal securities market. See Section 15B(b)(1) of the Securities Exchange Act of 1934.



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regulated entities, investors, issuers and other stakeholders. The MSRB has convened a Compliance Advisory Group to provide additional input to the Board of Directors on its compliance priorities.³

Request for Comment

The MSRB seeks to further leverage the experience and perspectives of regulated entities and other stakeholders by eliciting public feedback to inform its approach to compliance support, which includes: I) stakeholder engagement; II) interpretive guidance, advisories, compliance resources and regulatory reminders; III) website and email communications; and IV) examination support. In addition, the MSRB is soliciting input from regulated entities about their experiences implementing and complying with existing MSRB rules.

Comments should be submitted no later than December 22, 2017, and may be submitted in electronic or paper form. [Comments may be submitted electronically by clicking here](#). Comments submitted in paper form should be sent to Ronald W. Smith, Corporate Secretary, MSRB, 1300 I Street NW, Washington, DC 20005. Generally, all comments will be made available for public inspection on the MSRB's website.⁴

Questions about this request for comment should be directed to Gail Marshall, Chief Compliance Officer, at 202-838-1500.

I. Stakeholder Engagement

MSRB Board members and staff frequently participate in municipal market events around the country and engage regularly with MSRB-registered entities, industry trade associations, issuer associations, investor representatives and other stakeholder groups. For example, in Fiscal Year 2017, the MSRB participated in 100 events reaching an audience of more than 13,000 stakeholders. The MSRB partners with fellow regulators to host compliance programs and outreach events for regulated entities. The MSRB also hosted 13 webinars in the last year, giving more than 3,000 market participants an opportunity to ask questions about the application of new and existing MSRB rules. In 2018, the MSRB plans to hold town hall-style meetings in different regions of the country to provide opportunities for

³ <http://www.msrb.org/News-and-Events/Press-Releases/2017/MSRB-Announces-Members-of-Compliance-Advisory-Group.aspx>.

⁴ Comments generally are posted on the MSRB website without change. For example, personal identifying information such as name, address, telephone number or email address will not be edited from submissions. Therefore, commenters should only submit information that they wish to make available publicly.

regulated entities and other stakeholders to ask questions of members of the MSRB Board of Directors.

1. What conferences and events should the MSRB consider attending to address questions from market participants?
2. How can the MSRB enhance the value of compliance programs for regulated entities hosted jointly with other regulators or with trade associations?
3. What should the MSRB consider when planning future compliance programs (*e.g.*, topics, scheduling and webcasting)?
4. What should the MSRB consider when planning town hall-style meetings, webinars or other outreach events (*e.g.*, topics and timing)?
5. On what topics should the MSRB consider developing educational content that would support regulated entities' continuing education training needs?
6. What should the MSRB consider when providing education and outreach to investors and issuers about the regulatory protections in place and what to expect from MSRB-registered dealers and municipal advisors?
7. How can the MSRB enhance the usefulness of the outreach and information it provides?
8. How can the Board best utilize the expertise of the Compliance Advisory Group?
9. What topics should be on the Compliance Advisory Group's discussion agenda?

II. Interpretive Guidance, Advisories, Compliance Resources and Regulatory Reminders

The feedback and insight the MSRB receives through its engagement activities inform the regulatory topics that the MSRB may address through

interpretive guidance, compliance advisories, regulatory reminders or other compliance resources, such as webinars, fact sheets and sample templates.⁵

10. What topic areas should the MSRB prioritize when developing interpretive guidance or other compliance resources in this year and in future years? For example, certain stakeholders have indicated that the below topics may warrant guidance or additional compliance information.
 - a. Concerns regarding pre-arranged trading on new issues;
 - b. Application of Rule G-18, on best execution, and Rule G-17, on fair dealing, with respect to the practices of filtering or screening bids and offers by certain counterparties or bond characteristics without a legitimate business purpose;
 - c. Permissible outsourcing of compliance services under Rule G-44, Supervisory and Compliance Obligations of Municipal Advisors;
 - d. Policies and procedures related to emerging technology issues, such as social media and cybersecurity; and
 - e. Guidance or resources to assist with managing recordkeeping requirements.
11. Is there existing interpretive guidance that the MSRB should consider clarifying or updating?
12. What format is most useful for guidance (*e.g.*, FAQ or scenario-based examples)?
13. What else should the MSRB consider when providing interpretive guidance?
14. How can the MSRB enhance its annual compliance advisories to make them a more useful reference tool for regulated entities?⁶

⁵ <http://www.msrb.org/News-and-Events/Press-Releases/2017/MSRB-Publishes-Information-on-Compliance-and-Market-Leadership-Activities.aspx>.

⁶ See, *e.g.* Compliance Advisory for Municipal Advisors available at <http://www.msrb.org/~media/Files/Resources/Municipal-Advisor-Compliance-Advisory->

15. What topics should the MSRB consider addressing in its 2018 compliance advisories for dealers and municipal advisors?
16. Should the MSRB make greater use of podcasts, videos and other digital methods to deliver compliance assistance?
17. Are there certain times of year when compliance officers are particularly focused on certain regulations (e.g., continuing education program planning near year-end)?
18. Are regulated entities aware of the availability of MSRB's Market Regulation department to respond to compliance inquiries?
19. Should the MSRB consider changes or updates to its policy on providing rule interpretations?⁷

III. Website and Email Communications

The MSRB's primary methods of providing compliance information to regulated entities are through its corporate website at MSRB.org and its email communications. A new online "Compliance Center" on the MSRB's website is designed to elevate the prominence and accessibility of compliance information. The MSRB also recently added a 10-year history of amendments to each of its rules to assist compliance officers in tracking the evolution of regulations. The MSRB distributes regulatory notices about rulemaking initiatives by email to the primary and optional regulatory contact at each regulated entity as designated on each registered firm's Form A-12. Individuals also can subscribe to receive regulatory notices and other email communications from the MSRB. The MSRB plans to publish a new quarterly newsletter, *Compliance Corner*, which will directly address the compliance obligations of dealers and municipal advisors, and provide regulatory updates and promote new resources to facilitate understanding of MSRB rules.

20. How can the MSRB improve the organization of content in the online Compliance Center on MSRB.org to make it more intuitive and accessible?

[June-2017.ashx](#) and Compliance Advisory for Brokers, Dealers and Municipal Securities Dealers available at <http://www.msrb.org/~media/Files/Resources/MSRB-2017-Dealer-Compliance-Advisory.ashx>.

⁷ <http://www.msrb.org/Rules-and-Interpretations/MSRB-Policy-on-Interpretive-Guidance.aspx>.

21. What additional content would stakeholders like to see in the Compliance Center?
22. What other website enhancements should the MSRB consider to help regulated entities stay informed and up-to-date with evolving regulations?
23. Is the volume of email from the MSRB reasonable, too high or too low?
24. How can the MSRB better tailor its email subscription options to the information needs of regulated entities?
25. What resources and information would regulated entities like to see included in a quarterly compliance newsletter?
26. What frequency and amount of communication would market participants like to see about the MSRB's implementation of its strategic goals?

IV. Examination Process

While the MSRB is the principal self-regulatory organization for the municipal securities market, the MSRB does not have the authority to enforce its rules or conduct compliance examinations. The MSRB instead collaborates extensively with the Securities and Exchange Commission (SEC) in its oversight of the municipal market, and provides 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.

27. Recognizing the MSRB's role in the examination and enforcement process, what resources or information would be helpful to regulated entities?
28. Are there additional trade data quality reports or other summary reports that dealers would find helpful for monitoring compliance with data and disclosure submissions?
29. For data and disclosure submissions, are there regulatory technologies that the MSRB should consider adopting that would reduce dealer costs or simplify data quality management?

30. Would it be helpful if the MSRB alerted regulated entities to relevant enforcement decisions by the SEC, FINRA and bank regulators?
31. Should the MSRB consider providing information on its website to assist regulated entities in understanding the circumstances in which firms may apply for an exemption from bans on business under Rule G-37, on political contributions and prohibitions on municipal securities business and municipal advisory business?

Commenters are invited to respond to any or all of the above questions and to provide additional comments on how the MSRB can enhance the compliance support it provides.

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