

Remarks of Lynnette Kelly, Executive Director

at the

National Association of Health and

Educational Facilities Finance Authorities

Alexandria, VA

April 5, 2017

- Good morning and thank you for the opportunity to provide an update on regulatory developments as well as municipal market transparency and education initiatives of interest to conduit issuers.
- I'm Lynnette Kelly, Executive Director of the Municipal Securities Rulemaking Board.
- I must say, with so many discussions in Washington on infrastructure and tax reform, the municipal bond market is certainly getting its share of attention.
- Those of us in this room have always recognized the value of the municipal market to financing our nation's infrastructure and providing conduit borrowers with a cost-effective way to raise capital.

Infrastructure

- About \$400 billion in municipal bonds are issued each year. By way of comparison, the president's ambitious infrastructure plan would channel about \$100 billion a year into infrastructure for the next decade.
- The vibrancy of our country's local capital market is a reminder that this time-tested system of financing infrastructure dwarfs the supplemental efforts of the federal government.
- While federal money undoubtedly plays a critical role in funding projects of national and regional importance, the municipal market will remain the main course for feeding the need for local financing.
- The MSRB is working to ensure that policymakers understand both the role of munis in financing infrastructure. The MSRB is viewed a neutral and credible resource on the market.
- As innovative and novel approaches are considered, the MSRB aims to ensure policymakers understand how the municipal bond market fits into any comprehensive infrastructure investment plan.

Municipal Advisor Rulemaking

- With respect to rulemaking in our market, the MSRB continues to fulfill its mandate under the Dodd-Frank Act to establish a regulatory framework for municipal advisors.

- Our recent request for comment on establishing advertising guidelines and our proposed rule on continuing education for municipal advisors are two such initiatives.
- These are some of the last foundational rules under development.
- And of course after the rules are issued, we remain committed to providing guidance as needed.
- Later this month the Board will consider providing guidance specifically on the applicability of MSRB rules for municipal advisors acting as solicitors.
- We think this is appropriate approach for this subgroup of MAs.
- For its part, NAHEFFA has asked for guidance on MSRB Rule G-42, on the duties of non-solicitor municipal advisors.
- I want you to know that we are working diligently to address your questions about the use of MAs in the conduit financing structure.
- We certainly recognize the role that an MA can play with respect to both the borrower and the issuing authority, and the provisions of G-42 that relate to conflicts of interest.
- I can't provide a specific timeframe for our response, but I can tell you it is being actively worked on and we look forward to responding as soon as possible.

Dealer Rulemaking

- Let me now turn to one other regulatory initiative.
- As part of our ongoing effort to modernize and clarify MSRB rules we continue to critically evaluate existing rules for dealers.
- Part of that review is an overarching assessment of primary offering practices, starting with CUSIP numbers.
- As you know we have sought market input on a proposal to amend our rule on obtaining CUSIP numbers for transactions, Rule G-34.
- Our goal is to clarify our long-standing interpretation that the rule does in fact apply to private placement transactions.

- We also aim to extend the rule to include all municipal advisors (whether dealer or non-dealer)
- We appreciate the issues raised by NAHEFFA and others over the past few weeks.
- Staff are carefully considering the issues raised by commenters in preparation for a preliminary discussion at our Board meeting later this month.
- I don't know how many people realize that the comments we receive are not only taken into consideration but also can result in changes to our rules, or even a decision to conduct further work on challenging issues.

MuniEdPro®

- Let me turn now to something really exciting.
- The MSRB recognizes how challenging it can be for market participants to keep up with an evolving regulatory landscape and market practices.
- That's why we've prioritized making market education available to issuers, investors and municipal finance professionals.
- And our educational offerings have never been better or more engaging.
- The MSRB's new suite of interactive, online courses – called MuniEdPro® – uses real-life scenarios to explore municipal market activities and MSRB regulations.
- While MuniEdPro® courses are typically offered through a paid subscription, the MSRB developed a free course specifically for issuers.
- I encourage you to check out the complimentary course on Being an Informed Municipal Bond Issuer to further strengthen your knowledge of the factors to consider when selecting financial professionals and the ongoing obligations related to disclosure.

Disclosure

- And that brings me to the topic of disclosure, which has been an intense focus of the MSRB for many years.
- The MSRB has for years advocated for improved disclosure of bank loans so that municipal bond investors have a clearer picture of an issuer's overall indebtedness.

- The MSRB heard loud and clear from issuers that if we made it easier to submit these documents on EMMA, more of them would do so.
- That's why the MSRB implemented enhancements to EMMA that simplify the disclosure submission process for bank loans and alternative financings, and make these voluntary disclosures easier to find.
- Another major step toward greater transparency of bank loans is the SEC's recent proposed changes to Rule 15c2-12.
- We are very encouraged by the SEC's plan to require issuers to provide investors with more timely access to information about their financial obligations that could impact an issuer liquidity or creditworthiness, and create risks for existing security holders.

EMMA Tools and Resources

- I could never overstate the importance of all post-issuance disclosure to the transparency and fair functioning of the municipal securities market.
- But I want to mention one new tool on EMMA that may be useful earlier in the process of issuing bonds.
- EMMA's new issue calendar lists the municipal securities issues scheduled to come to market, integrated with final pricing scales.
- Conduit issuers may want to refer to this calendar when making the decision about when to come to market.
- Alongside the new issue calendar, an economic calendar provides a look at the upcoming economic reports and events that may have an impact on the municipal bond market.
- Both calendar tools can help conduit issuers consider the timing for issuing municipal bonds.

Next Steps for EMMA

- The next planned enhancement on EMMA is the addition of multiple third-party yield curves.

- Integrating third-party tools and data on EMMA is part of a long-term vision to transform it into a one-stop shop for useful market information that is either unavailable from a single source or too costly for some participants.
- To further inform next steps in the development of EMMA, the MSRB has convened focus groups and continues to collect stakeholder input about ways to improve the usability of the website and make it an even more indispensable resource for all market participants.
- I invite you to share your thoughts on EMMA with the MSRB.
- Thank you for your time. I'm happy to take your questions.