

Via Web Upload

January 6, 2020

Ronald W. Smith, Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Regarding: Request for Comment 20-19, MSRB Strategic Goals and Priorities

Dear Mr. Smith:

Thank you very much for the opportunity to comment on the MSRB's long-term direction.

Even though 280 is a relatively new broker/dealer, many of us have been involved in the municipal bond industry for the past 20 to 35 years.

We recognize and are grateful for the progress the MSRB has made digitizing municipal bond information, taking advantage of technology, and making bond information available in a timely, easy to use manner for investors.

As the MSRB looks ahead please keep the following thoughts in mind.

Many issuers for a variety of reasons have not kept pace with technology. The MSRB has an opportunity in the near future to establish simple to use, workable protocols for state and local government compliance demonstrating industry best practices.

Accessing the public markets is a privilege and state and local governments including non-governmental "obligated persons" should be incentivized to provide timely market information. This year's pandemic disclosures provide good examples of issuers taking responsibility for updating the market.

Browsing through EMMA, we notice many issuers fail to provide contact information to EMMA and small issues frequently don't have Official Statements posted. Emphasis at EMMA should be placed on filling in holes and providing explanations for why a document is missing. Compelling underwriters to complete a checklist of necessary items for EMMA may provide the necessary incentive to round out basic disclosure information.

Requiring an annual update to any changes to contact information as well as a management (elected and professional) changes over the past reporting period would be helpful to the market in staying current on political and administrative leadership.

As far as disclosure is concerned, it seems high time to revisit Plain English disclosure. Roadshows have increasingly accompanied POSs. We see no reason why an official statement shouldn't be as clearly presented as a roadshow. Similarly, cloud

technology permits issuers and EMMA to library underlying financing transcripts for easy access to source documents including details of pre-sale due diligence calls. In the meantime, it seems that if a road show was made available along with an OS, the road show could be posted to EMMA.

As taxable municipal issuance has expanded, we see investor confusion over optional redemption features with make whole calls. Providing guidance to the industry to simplify or at least provide workable examples of the application of the make whole call would be an investor friendly initiative.

Technology could allow an EMMA user to subscribe to a particular issuer or CUSIP to receive notices of updates, material events, continuing disclosures, refundings, new issues, and as mentioned above, full transaction transcripts.

As we have seen the market change over the past 30 years we note the increasing importance of both technology and professional advice. The failure of a company like Neighborly who was offering bonds on-line to individual investors underscores the old saw that when working with retail investors, “bonds are sold and not bought”. We recommend the MSRB consider offering guidance on G-11 syndicate policies providing priorities for professional retail including separately managed accounts, fee based registered investment advisors, and bank trusts where orders are supported by zip code. Individuals tend to buy and hold. Doing what we can to eliminate or reduce purchases that are quickly offered to the street once bonds are free to trade will assist in delivering the lowest cost to issuers and the best outcomes for the issuers’ constituents. Expanding a definition of a “retail order” to include SMAs, RIAs, and bank trusts would contribute to expanding distribution to legitimate buy and hold investors through their investment professionals.

We look forward to the MSRB’s continued progress modernizing the bond industry for the benefit of both issuers and investors.

Sincerely,
280 Securities LLC



Wm. Thomas Lockard
Managing Director

SUBMITTED ELECTRONICALLY

January 11, 2021

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, D.C. 20005

RE: Municipal Securities Rulemaking Board Requests Input on Strategic Goals and Priorities (Notice 2020-19)

Dear Mr. Smith:

The American Bankers Association¹ (ABA) appreciates the opportunity to provide comments to the Municipal Securities Rulemaking Board (MSRB or Board) on its strategic planning exercise released on December 7, 2020. The MSRB is soliciting public comment to MSRB Notice 2020-19 (Notice), which will be used to develop the organization's future strategic goals and priorities.² Specifically, the Board is requesting input from stakeholders in order to build a new vision and mission statement that articulates its priorities for supporting a fair and efficient municipal securities market.

Many ABA members provide services as regulated municipal securities dealers, either through separately identifiable departments in commercial banks or through broker-dealer affiliates of commercial banks. Additionally, our members also regularly purchase municipal obligations directly from the obligors and extend loans and provide other credit accommodations to municipalities and conduit borrowers. Our members rely on the MSRB's EMMA, and CUSIP, as essential elements for the underwriting, purchase, trading and settlement of municipal securities.³

¹ The American Bankers Association is the voice of the nation's \$21.1 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard nearly \$17 trillion in deposits, and extend nearly \$11 trillion in loans. Learn more at www.aba.com.

² See MSRB Notice 2020-19.

³ As the owner of the CUSIP system, ABA looks forward to continuing and enhancing its partnership with the MSRB by producing accurate security identifiers that markets, investors, and other stakeholders can rely on to provide global financial markets transparency. This task requires adherence to strict governance and other processes. CUSIP Global Services (CGS), the administrator of CUSIP, exists solely to provide transparency, accuracy, and consistency in reference data by focusing exclusively on creating a universally recognized and trusted procedure for security identification. In their role, CGS not only assigns identifiers, the numbering agency also methodically scrutinizes offering documents and dissects their element parts before individual securities are taken to market. The MSRB and CGS, through its partnership with the ABA, have worked together for many years to bring certainty and

The ABA commends the Board on its continued efforts to provide an open and transparent process for industry participants and stakeholders, including our members, to engage in the strategic planning process of the MSRB. In light of the COVID-19 pandemic and its potential ongoing effects on the municipal securities industry, we believe it is appropriate to undertake strategic initiatives that will have a positive and reverberating impact on the industry. Such steps would significantly affect the direction and impact of the MSRB's initiatives within a changing and unpredictable regulatory environment. In particular, this strategic exercise's timing will allow the MSRB to reflect on its previous efforts related to its multi-year retrospective review of the Board's rulebook to ensure it reflects the current state of, and challenges faced by, the municipal securities market. Our comments below respond specifically to Questions 1, 2, 4, and 5 of the Notice.

Question 1: What are the important trends or developments you have your eyes on in the municipal market in the coming years?

We believe that the MSRB's current priorities in regulation, technology, and data are appropriately focused and are broad enough to encapsulate industry participants' concerns during a time of significant instability, uncertainty, and volatility. ABA believes the evolution of technology and its costs will continue to be challenging for banks as the pace, magnitude, and implementation of regulation will prove to be resource-intensive on all institutions involved in municipal securities activities and operations. Specifically, we are monitoring and responding to the continued technology-driven adaptation of trading operations in capital markets. While technology generally may facilitate a level playing field, institutions' technology budgets vary disproportionately across the stakeholder spectrum. The ABA suggests the MSRB consider and factor in the various budgetary hurdles of the electronic transformation process when updating its rulebook, in whole or in part, for its industry participants. These involve cost component, security, and transparency concerns as described below.

ABA members frequently encounter implementation issues on finalized rules when they require updates and additions to, and testing of, existing systems. Flexibility therefore is needed for banks to incorporate new technologies and work with third-party providers that often implement changes to bank legacy systems and platforms.

As the Board continues its migration to cloud-based technologies and emphasizes greater use of its developing interfaces and tools to engage stakeholders further, we urge the MSRB to regularly review the front-to-backend security measures and protocols. For example, a well-publicized cyber-attack announced in December 2020, adversely affected government, military, and private-sector institutions. We believe that it is essential to protect the end-user of innovative solutions by identifying the effects of threats and preparing for potential risk mitigation measures. Additionally, as the preparations begin to transition into a post-COVID-19 environment, and the corresponding ramp-up to embrace and adopt new technologies, it is crucial for the Board to keep its industry stakeholders informed of significant developments throughout the value chain as it modernizes its technology. We appreciate MSRB's historically

efficiency to municipal market participants and we look forward to continuing and enhancing that collaborative spirit under Mr. Kim's leadership.

open dialogue regarding technological innovations and encourage such transparency going forward.

Question 2: How would you assess the effectiveness of the MSRB at advancing its mission? What are we doing well? What should we improve upon?

ABA was delighted when MSRB announced Mark Kim as the MSRB's chief executive officer in September 2020, after serving as the chief operating officer since 2017. Mr. Kim has been accessible, open, and forthright in his past roles at the MSRB, and we commend the Board in this important selection. Stakeholder engagement has been a theme of prior leaders at the MSRB, and Mr. Kim has been measured in his approach to ensure that it will not be overlooked during his tenure. We would encourage Mr. Kim to continue to elevate the profile of the MSRB and its mission to educate and inform “how” its staff works to “... promote a fair and efficient municipal securities market.”⁴ These efforts should clearly articulate the key role MSRB plays in Washington and beyond as a means to “why” the \$4 trillion municipal securities market is vital to the American economy. We look forward to engaging with Mr. Kim and the Board’s senior leadership team and encourage them to maintain MSRB’s independent profile before the new administration and Congress.

Concerning board size, ABA recognizes the need to readjust the Board's size and composition after the rulemaking activity and implementation of the Dodd-Frank Act. The MSRB had acknowledged in recent notices⁵ that rulemaking activity is now complete. The Board wishes to return to its statutorily prescribed Board size of 15 members, after growing to 21 members during the Dodd-Frank mandate.⁶ In expressing its wish to return to 15 members, the Board cites the benefits of this correction as “attendant efficiency and lower cost,” of a smaller Board. We support the Board's efforts, and its transition plans to return to the prescribed 15-member Board to facilitate the MSRB’s advancement of its mission going forward.

It is important to note that the MSRB has taken measures to readily define and adequately scope the definition of its independence standard by amending Rule A-3 in 2010, and more recently, in 2020, whereby a board member candidate cannot have a material business relationship with a municipal securities broker, municipal securities dealer, or municipal advisor within the previous two years. More specifically, the Board refined this definition to preclude an individual from having a relationship with the institutions mentioned above, which would be compensatory or otherwise affect the individual’s decision-making in Board matters. However, we believe that a five-year “cooling-off period,” for Board candidates unnecessarily limits the pool of talented applicants while curbing the up-to-speed industry knowledge one can bring to the Board after this lengthy period. We note that when the Board had increased its size to 21 members, it may have unintentionally contributed to the ability to seek qualified candidates and/or applicants to join the Board. Returning to a 15-member Board may prevent the need for multiple call rounds for Board candidates.

⁴ The Role and Jurisdiction of the MSRB (2017).

⁵ See MSRB Notice (2020-02) and MSRB Notice (2020-14) on amendments to MSRB Rules A-3 and A-6, designed to improve Board governance.

⁶ See Securities Exchange Act of 1934 § 15B(b)(2)(B).

Therefore, should the Board consider changing the independence standard separation period in the future, it may consider shortening the period to one year of separation similar to other SROs (e.g., FINRA).

Question 4: How can modernization of EMMA and related technology systems best support users? What gaps should be addressed to enhance market transparency?

Under Mr. Kim's stewardship as chief operating officer, the MSRB has undergone significant technological changes, including migrating the MSRB's Electronic Municipal Market Access (EMMA) system to the cloud. These market transparency initiatives are vitally important for the Board's future as it seeks to offer improved user experiences and new tools and interfaces to greater benefit the marketplace. Issuers and other stakeholders value the readily available information on the EMMA system. However, while EMMA provides the necessary parameters for skilled professionals to use the system, there is a steep learning curve for those who are not as familiar (the average retail investor) with EMMA's current platform. Consequently, we recommend that the Board further engage with market participants during the beta-testing phase when developing any potential new interface for the industry, if available.

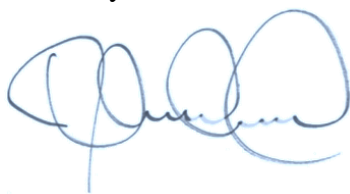
Question 5: In what ways should the MSRB deliver on the promise of cloud-based computing to improve the availability of data for enabling market research and analysis?

The MSRB has been a strategic partner in its data collection efforts. The transition to the cloud enabled the MSRB to be even more efficient in this endeavor and opened up additional opportunities for the industry to receive better and more efficient access to the data. The Board has recently communicated that it also endeavors to leverage data analytics soon. We strongly support the Board's efforts to provide additional value to investors and other market participants as it seeks to identify emerging risks and other market trends for industry participants. Undoubtedly, the need for effective and efficient workflows is even more critical in the COVID-19 environment. We look forward to working with the Board to provide our members with expertise to enhance further the delivery of upcoming changes to the MSRB in the coming year.

Lastly, in light of the COVID-19 pandemic, we urge a thoughtful, deliberative, and tailored rulemaking process. We recommend further that the Board prioritize transparency and flexibility in implementing regulations that respond to the ongoing needs and challenges of the municipal securities industry.

Thank you for your consideration of our views and recommendations. If you have any questions or require any additional information, please do not hesitate to contact the undersigned at 202-663-5273 (junderwood@aba.com).

Sincerely,



Justin M. Underwood



January 11, 2021

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Re: Notice No. 2020-10 MSRB Request on Strategic Goals and Priorities

Dear Mr. Smith:

The American Securities Association¹ welcomes the opportunity to comment on the Municipal Securities Rulemaking Board's (MSRB) strategic goals and priorities as we enter 2021. We appreciate the MSRB's outreach to municipal market stakeholders as the MSRB looks to further advance its vision and mission statement. As noted in the request for comment, the MSRB is particularly focused on regulation, technology, and data. The ASA works to advance the interests of "Main Street" regional financial services firms and their investors, and so our interests with regard to the MSRB's agenda primarily deal with regulation.

The ASA has welcomed some recent efforts by the MSRB to improve its accountability. In particular, the ASA supported the MSRB prioritizing retrospective reviews of existing regulations to guard against rules that may be duplicative, overly burdensome, or no longer meet a cost-benefit test and should be amended or repealed. The proposal put forth last year to improve the MSRB board and governance also included some thoughtful changes. However, the ASA believes the MSRB can continue to increase its effectiveness by continuing to work with Congress and the Securities and Exchange Commission (SEC) to establish a more transparent and robust governance structure.

Accordingly, the ASA supports reforms that would divide MSRB board membership between public representatives and regulated entities and ensure that individuals from a small number of large banks and broker dealers do not have outsized influence over the MSRB agenda. The ASA also supports provisions that would give the broker-dealer community accurate representation on the board, to "right-size" their representation based on the financial contributions they provide to the MSRB. The ASA strongly believes the MSRB should continue its efforts to work with the SEC and Financial Industry Regulatory Authority (FINRA) to address instances of regulatory

¹ The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.





duplication or confusion. As an example, in October 2020 the ASA sent a letter to FINRA regarding the practice of “pennying” in which we noted that the approach to the practice taken by the MSRB differed from FINRA as well as the SEC’s Fixed Income Market Structure Advisory Committee.² This is a recent example of where differing approaches by regulators could lead to confusing and potentially harmful regulations, an outcome the SROs and the SEC must proactively work to avoid.

The ASA has also strongly opposed efforts by the SEC to create a loophole in the municipal market that allows unregulated municipal advisors to engage in the same practices as broker-dealers. Unlike highly regulated broker-dealers, exempted municipal advisors would not be subject to the robust net capital and other regulatory requirements that have long defined the broker-dealer regulatory regime. There is little question that the SEC’s actions left investors in the municipal market vulnerable while doing little to help municipalities around the country raise capital. Again, we believe the MSRB should work closely with the SEC to identify potential weaknesses in the market as a result of orders such as this one and recommend appropriate action to further protect investors.

The ASA would also suggest that the MSRB, as well as all regulators, prioritize rule modernization and technology updates that would benefit the industry as many individuals are working from home due to the COVID-19 pandemic. Remote work is likely to continue and there are certainly rules that could be updated to reflect that reality. Additionally, the MSRB should make sure safeguards are in place to protect investors’ personal information, as well as proprietary firm data.

Finally, the ASA would like to address the modernization of the Electronic Municipal Market Access website (EMMA). The ASA is supportive of continuing modernization and transparency on EMMA. EMMA provides important information to the municipal marketplace that participants might otherwise need to purchase from third parties, and the MSRB should work to ensure the website’s security and information gaps are continuously updated.

The ASA appreciates this opportunity to comment and look forward to working with the MSRB on issues critical to the municipal securities market.

Sincerely,

Kelli McMorrow

Kelli McMorrow
Head of Government Affairs
American Securities Association

² [ASA Sends Letter to FINRA on Pennying \(americansecurities.org\)](https://americansecurities.org)



What are the important trends or developments you have your eyes on in the municipal market in the coming years?

The important trends in the municipal market include the increased issuance of taxable municipal bonds and greater participation of foreign investors. Both trends point to greater participation of investors with little if any experience in either the trading of municipal bonds or the credit analyses of municipal issuers. The issuance of taxable municipal bonds, including both municipal CUSIP (\$136 billion) and corporate CUSIP (\$40 billion, primarily health care and higher education issuers), combined, broke the previous record high of taxable municipal issuance set in 2010, when total taxable issuance, driven by Build America Bonds, was \$150 billion. In view of the predominance of longer maturities of taxable bonds issue - the duration of the ICE/BAML taxable index is 11.6 years - taxable municipals will remain an important asset class for taxable investors for some time, regardless of issuance trends.

How would you assess the effectiveness of the MSRB at advancing its mission? What are we doing well? What should we improve upon?

The MSRB has been very effective in increasing the availability and flow of credit and trading information to the marketplace. I have over 37 years of experience and can appreciate how transparency in the municipal market has improved over the years.

It appears, however, that adherence to disclosure requirements has some room for improvement. According to the MSRB's 2019 Fact Book, there were approximately 98,900 financial submissions from municipal issuers that year, a level consistent since at least 2015. As there are approximately 50,000 issuers, however, and many, such as hospitals, submit quarterly disclosure, it is reasonable to conclude there are many which do not submit any financial disclosure to EMMA.

What are the most pressing knowledge and information gaps in the municipal market? How should the MSRB focus its educational efforts to provide value and impact for today's markets?

A great deal of municipal disclosure is produced and delivered in a form that is difficult (for anyone other than a trained municipal analyst) to analyze and therefore use in assessing the credit quality of the issuer. Comprehensive Annual Financial Reports (CAFRs), the most used form of disclosure for state and municipal governments, are very long (often 200+ pages) complex documents with key credit information scattered throughout, and therefore as likely to obfuscate rather than reveal credit quality and trends to any but the most experienced municipal analyst. In addition, professional analysts have access to credit databases (Creditscope, Bloomberg, for example) or rating agency reports that present credit information in a concise and informative way. Retail investors or nontraditional buyers may not have the same resources available, or if they do, lack the training or experience to make use of CAFRs or other municipal disclosure.

As a way of assisting those with little or no municipal credit experience or training, the MSRB could provide very basic webinar training on municipal credit, possibly in concert with National Federation of Municipal Analysts (NFMA). Please note that I am a member of the NFMA and so am representing my views alone and not those of the NFMA or any other members.

David F. Belton, CFA

Comment on Notice 2020-19

from Evan Bliss,

on Wednesday, January 13, 2021

Comment:

The MSRB should consider providing the public with access to its data through the St. Louis Federal Reserve's Federal Reserve Economic Database (FRED). FRED has more than 750 thousand metrics from more than 100 sources. The Fred platform is easy to navigate and user-friendly.

FRED is widely used for a wide range of data sources, including financial market information from ICE Data Indices, S&P Dow Jones Indices, Chicago Board Options Exchange, Nasdaq OMX Group, and others.

The MSRB would promote its transparency efforts by allowing FRED access to certain data for analytics purposes. The St. Louis Fed's staff regularly produces research on the data series in FRED.

January 11, 2021

Ronald W. Smith, Corporate Secretary
Municipal Securities Rulemaking Board
1300 I St NW
Washington DC 20005

Dear Mr. Smith

The Bond Dealers of America is pleased to comment on MSRB Notice 2020-19, “MSRB Requests Input on Strategic Goals and Priorities” (the “Notice”). BDA is the only DC-based organization exclusively representing the interests of securities dealers and banks focused on the US bond markets.

We see long-term strategic planning as an important part of the MSRB’s process for determining an agenda and priorities for future action. It has been more than four years since the MSRB last sought public input on strategic goals and priorities, and it is appropriate for the Board to undertake that initiative now. BDA is pleased to participate. Here we outline our responses to the questions posed in the Notice and provide our views on where the MSRB should focus its resources in the coming years.

Key trends in coming years

The municipal securities market is ever evolving. Several trends have emerged in recent years that we believe will continue over the near to medium term.

Private placements—Between 2011 and 2017, annual issuance of municipal securities by private placement went from \$9.6 billion comprising around three percent of long-term issuance to \$40.2 billion comprising nine percent of issuance.¹ While issuance by private placement has waned a bit since 2017, it remains a more important tool for issuers than ever. A large portion of private placement buyers continue to be commercial banks. Over the 12-month period from October 2019 through September 2020, US banks increased their holdings of municipal loans and securities by \$34 billion, an increase of more than seven percent.² We believe this trend will continue in the coming years.

The SEC has responded to the rise in private placements by floating a proposed Exemptive Order which would excuse nearly any Municipal Advisors who solicit private placement investors on behalf of municipal issuers from registering as broker-dealers.³ While that proposal has not been acted on since it was released, the SEC in June 2020 published a Temporary Conditional Exemption on the same issue which, until it expired at the end of December, applied to bank placements of \$20 million or less.⁴ Both

¹ *The Bond Buyer*, “A Decade of Municipal Bond Finance,” www.bondbuyer.com/broker/bond-buyer-data.

² Board of Governors of the Federal Reserve System, “Financial Accounts of the United States,” December 10, 2020, page 121.

³ Notice of Proposed Exemptive Order Granting a Conditional Exemption from the Broker Registration Requirements of Section 15(a) of the Securities Exchange Act of 1934 for Certain Activities of Registered Municipal Advisors, 84 Fed. Reg. 54062 (October 9, 2019).

⁴ Order Granting a Temporary Conditional Exemption from the Broker Registration Requirements of Section 15(a) of the Securities Exchange Act of 1934 for Certain Activities of Registered Municipal Advisors, 85 Fed. Reg. 37133 (June 19, 2020).

these actions represent a dangerous departure from decades of rulemaking focused on investor protection.

Retail order periods—MSRB Rule G-11 requires underwriters to comply with issuers’ standards and definitions during retail order periods (ROPs). Issuers define the scope and composition of ROPs, and definitions of retail order vary widely by issuer. ROP definitions often cover natural persons, but beyond that, there is wide disparity in specifying which customers qualify as retail. ROPs sometimes include separately managed accounts and even mutual funds, but sometimes not. Some issuers define retail by the size of the order, while others define it based on the type of customer. The length of ROPs and which maturities are offered during a ROP can also vary.

This wide disparity among ROP standards and the strict rules the MSRB has in place to govern ROPs can result in a higher degree of noncompliance than expected or desired. The variety of ROP standards also contributes to the issue of “flipping” and calls the question of whether retail order periods are as beneficial to issuers as their popularity implies. We recommend that the MSRB explore the issue of ROPs with an eye towards encouraging a greater degree of uniformity in ROP specifications. We would welcome the opportunity to work with you and other stakeholders to address this issue.

Low yield environment—The municipal market is currently experiencing extremely low yields by historical standards. As of the end of 2020, the Bloomberg BVAL 10-year AAA yield stood at 69 basis points,⁵ nearly the lowest level in our lifetimes. While this provides tremendous opportunities for issuers, it creates risks for investors. It is virtually inevitable that yields will begin to rise again in the future. That means the market value of outstanding fixed-rate bonds will fall. While this risk is generally well understood by municipal securities investors, there is a complication unique to the municipal market that may not be well known.

Internal Revenue Code Section 1278⁶ specifies the tax treatment of bonds sold at a market discount. Market discount occurs when an investor acquires a bond on the secondary market at a price below par. (The definition is more complex for bonds that were initially sold with original issue discount.) The difference between a taxpayer’s acquisition price of the bond and par represents the amount of market discount subject to the treatment specified in Section 1278. If the amount of market discount is *de minimis*—defined in the context of dollar price as less than 0.25 point times the number of whole years left to maturity—the discount is taxed as a capital gain in the year the bond is sold or redeemed. If the amount of market discount at acquisition exceeds the *de minimis* amount, the discount is taxed as ordinary income when the bond is sold or redeemed. (Taxpayers also have the option to accrete market discount over the remaining life of the bond and pay the tax annually on the accreted amount.)

It is likely that as municipal yields eventually begin to rise, prices of some bonds issued in the current low-rate environment will fall below par. That could expose some investors who acquire bonds in the secondary market to earning ordinary, taxable income on their otherwise tax-exempt investment. It is an issue worthy of attention, and we would welcome the opportunity to work with the MSRB and other stakeholders to ensure that the possible effects of Section 1278 are known to investors.

⁵ Municipal Securities Rulemaking Board, “Yield Curves and Indices--BVAL® AAA Municipal Curves,” <https://emma.msrb.org/ToolsAndResources/BloombergYieldCurve?daily=False>.

⁶ 26 U.S.C. § 1278

Remote work—The pandemic has significantly altered the way we all do business. More employees of municipal dealers are working from remote locations, and in-person contact with clients and customers has been curtailed. This has created challenges related to communications, data access and security, and other vital functions. We appreciate the MSRB’s response to the crisis. We believe remote work will continue to be a relevant issue for many months, perhaps longer, and we encourage the MSRB to continue to explore ways to support this trend and to coordinate any new rules or amendments with FINRA.

MSRB’s performance

The entire market agrees that the EMMA platform provides tremendous benefits. It is an invaluable resource, and the MSRB does a good job of maintaining and enhancing the system. We also commend the MSRB for your response to the pandemic and the compliance guidance you have provided. The Board has shown sensitivity to the needs of regulated entities during this extraordinary time without threatening the safety and reliability of the market.

There are some areas of the MSRB’s jurisdiction and activities that we believe deserve greater attention.

MSRB finances—There are two points of discussion with respect to finances.

Relative contributions of dealers and MAs: The Dodd-Frank Act, which for the first time brought non-dealer MAs under the MSRB’s regulatory umbrella, was enacted more than ten years ago. Yet the relative financial contributions of dealers and MAs to the MSRB’s revenue remain lopsided. In fiscal 2019, the MSRB collected \$27.6 million from regulated entities—dealers and MAs—in the form of underwriting assessments, transaction fees, technology fees, and Municipal Advisor professional fees.⁷ Dealers paid \$26 million, or 94 percent of the total. And this was in a year when the MSRB temporarily reduced underwriting and transaction assessments for dealers.⁸ Without the temporary fee reductions dealers would have made an even larger contribution.

Volatility in revenues: For fiscal 2020 the MSRB budgeted a \$2.3 million operating deficit.⁹ Instead, the MSRB generated a surplus of approximately \$6 million,¹⁰ or \$8.3 million over budgeted revenue. That means the MSRB’s liquid assets have grown from \$62.4 million at the end of FY 2019¹¹ to approximately \$71 million at the end of FY 2020. The MSRB’s published policy on funding reserves is not specific, so there is no way for stakeholders to know precisely what is the MSRB’s targeted reserve level. But for an

⁷ For the purpose of this calculation, we have disregarded Annual and initial fees because in its financial reporting, the MSRB does not break down the portions of these fees paid by dealers and MAs. The fees cited above represent more than 90 percent of the fees and assessments paid by regulated entities.

⁸ Notice of Filing and Immediate Effectiveness of a Proposed Rule Change To Amend MSRB Rule A–13 to Temporarily Reduce the Rate of Assessment for the MSRB’s Underwriting, Transaction and Technology Fees on Brokers, Dealers and Municipal Securities Dealers, 84 Fed. Reg. 60 (March 28, 2019).

⁹ Municipal Securities Rulemaking Board, “Fiscal Year 2021 Budget for the Fiscal Year Beginning October 1, 2020,” page 4.

¹⁰ Sarah Wynn, “MSRB expects a surplus of up to \$6 million for fiscal 2020,” *The Bond Buyer*, October 27, 2020, www.bondbuyer.com/news/msrb-expects-a-surplus-of-up-to-6-million-for-fiscal-2020.

¹¹ Municipal Securities Rulemaking Board, “Annual Report 2019,” page 16. Includes Cash and cash equivalents and Investments.

organization with \$42 million in operating expenses in FY 2019, \$71 million in idle liquid assets—industry money collected and held by the MSRB—is too much.

The Board has sought to address these issues for at least the last seven years:

- After its February 2014 meeting, the Board stated it “has been working to establish appropriate and equitable assessments on municipal advisors to fairly distribute assessments across all regulated entities.”¹²
- After its August 2015 meeting the Board stated “following more than a year’s analysis of its fees, the Board approved a proposal to adjust several MSRB fees to align the organization’s revenues with operational and capital expenses.”¹³
- At its April 2016 meeting “the Board voted to amend existing policies to address organizational reserves if they rise above or fall below established levels. The Board plans to finalize its decision about current organizational reserves at its July meeting.”¹⁴
- At its January 2019 meeting, the Board “continued its ongoing discussion of the MSRB’s reserve levels, which as previously communicated, are above the organizational target. The Board will continue its evaluation of reserve levels—incorporating input from an outside expert’s reserves analysis—and determine additional steps to responsibly manage reserves to appropriate target levels.”¹⁵
- At its April 2019 meeting the Board discussed “ensuring a fair and equitable balance of fees, responsibly managing expenses and estimating future revenue needs of the MSRB.”¹⁶

And yet, after all these deliberations the MSRB continues to collect more revenue than needed, and the relative contributions of dealers and MAs are still skewed. We strongly urge the Board to take a comprehensive look at its finances with the goal of once and for all establishing a funding mechanism that fairly allocates the MSRB’s expenses among regulated entities and does not assess the industry for more money than the MSRB needs. The solution may involve a major change in the way the Board funds itself. We look forward to working with you on this issue.

Regulatory and compliance guidance—The MSRB spends significant resources on providing regulatory and compliance guidance to regulated entities. This guidance is generally welcome and helpful, but not always. We recommend three changes to the manner in which the MSRB produces and communicates guidance.

First, we urge you to refrain from issuing guidance in areas where you do not have jurisdiction. Two examples illustrate the point. In September 2017 the MSRB issued Regulatory Notice 2017-18, “Market Advisory on Selective Disclosure,”¹⁷ and in April 2018 the MSRB published an issue brief titled

¹² Municipal Securities Rulemaking Board, “MSRB Holds Quarterly Board Meeting” (press release), February 4, 2014.

¹³ Municipal Securities Rulemaking Board, “MSRB Holds Quarterly Board Meeting” (press release), August 3, 2015.

¹⁴ Municipal Securities Rulemaking Board, “MSRB Holds Quarterly Board Meeting” (press release), April 18, 2016.

¹⁵ Municipal Securities Rulemaking Board, “MSRB Holds Quarterly Board Meeting” (press release), February 4, 2019.

¹⁶ Municipal Securities Rulemaking Board, “MSRB Holds Quarterly Board Meeting” (press release), April 29, 2019.

¹⁷ Municipal Securities Rulemaking Board, “Market Advisory on Selective Disclosure (Regulatory Notice 2017-18), September 13, 2017.

“Regulatory Framework for Municipal Market Derivatives.”¹⁸ Both documents seek to provide guidance to market participants on their respective subjects. We believe both documents were well-intentioned, but they raise problems. Most important, neither issuer disclosure nor derivatives regulation are within the MSRB’s authority. Issuer disclosure is regulated by the Securities and Exchange Commission, and the types of derivatives most used in the municipal market are regulated by the Commodity Futures Trading Commission. Issuing documents like this creates more confusion than clarity because it raises questions like whether the agencies with actual jurisdiction agree with the MSRB’s guidance.

Second, we urge you to issue all guidance in draft form for public comment before being finalized. The public comment process gives stakeholders an opportunity to weigh in on guidance which could have significant implications for compliance and enforcement.

Third, we ask in your communication of guidance to the market that you highlight guidance products that are significant to distinguish them from other MSRB communications that are less important. We offer as an example the MSRB’s “Compliance Tip of the Week” email dated November 9, 2020. This email included guidance on the application of MSRB Rule G-20 on gifts and gratuities to online meetings, particularly useful and constructive in the context of the pandemic and remote work. However, labeling this important information as a “compliance tip” and transmitting it via an email subscription channel does not give it sufficient prominence. The MSRB eventually published the same information in a FAQ document,¹⁹ but that came six weeks after the November 9 email. Highlighting important guidance will help ensure stakeholders see and benefit from it.

Data fees—The MSRB operates a market data business.²⁰ We support this initiative. The MSRB collects lots of important and relevant market data, and it is appropriate to make those data available to market participants. We point out, however, that most of market data the MSRB sells is derived from information provided by dealers.²¹ While the pricing for these data is at market rates, dealers receive no benefit from the sale of the information they provide. We urge the MSRB to consider pricing concessions for dealers for the data subscription services to which dealers provide the underlying information.

Cost-benefit analysis—In its publication “Policy on the Use of Economic Analysis in MSRB Rulemaking,”²² the MSRB states “this Policy establishes guidance that the MSRB is to follow in conducting economic analysis when engaged in the rulemaking process.” The Policy provides key elements of economic analysis and provides “guidance for implementing each of these elements and for integrating these elements into MSRB rulemaking.”

While the MSRB’s policy surrounding economic analysis is sound, from a stakeholder’s perspective, the product of that analysis is not always obvious, nor is the consideration the Board may give that analysis

¹⁸ Municipal Securities Rulemaking Board, “Regulatory Framework for Municipal Market Derivatives,” April 9, 2018.

¹⁹ Municipal Securities Rulemaking Board, “Frequently Asked Questions Related to COVID-19 Pandemic Regulatory Relief,” December 22, 2020, msrb.org/regulated-entities/COVID-19-FAQs.aspx.

²⁰ Municipal Securities Rulemaking Board, “Data Subscription Services and Products,” www.msrb.org/Market-Transparency/Subscription-Services-and-Products.aspx.

²¹ These include the MSRB Transaction Subscription Service, the MSRB Short-term Obligation Subscription Service, and the MSRB Primary Market Subscription Service.

²² Municipal Securities Rulemaking Board, “Policy on the Use of Economic Analysis in MSRB Rulemaking,” msrb.org/Rules-and-Interpretations/Economic-Analysis-Policy.aspx.

in its deliberations. We cite as an example the MSRB’s 2018 “Request for Comment on Draft Amendments to 2012 Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities.”²³ The request for comment includes a nine-page discussion of the economic analysis the MSRB intended to produce in support of its consideration of the proposed guidance changes. The economic analysis discussion included requests for information from market participants that would inform its analysis.

On August 9, 2019 the SEC published the MSRB’s transmission of the proposed G-17 guidance amendments.²⁴ The section of the document titled “Self-Regulatory Organization’s Statement on Burden on Competition” incorporates a discussion of the MSRB’s economic analysis of the proposal. The discussion is entirely qualitative in nature. There is little detail as to what data or other inputs the MSRB used in its analysis, what methodology the MSRB used, or what were the quantitative conclusions.

For example, one element of the revised G-17 interpretation requires underwriters to “affirmatively state in their standard disclosures that ‘the issuer may choose to engage the services of a municipal advisor with a fiduciary obligation to represent the issuer’s interests in the transaction.’”²⁵ The economic analysis discussion states “underwriters would incur additional cost associated with revising their policies and procedures (a one-time upfront cost) and delivering the statement in their standard disclosures during a transaction.” However, the analysis does not discuss the cost of these changes, nor does it compare quantitatively the additional costs to underwriters, or costs to issuers who heed the advice of the disclosure may bear, with any quantitative benefits that issuers might achieve as a result of the new disclosure standard. The discussion feels at times like an afterthought.

We urge the MSRB to take a more rigorous, quantitative approach to its economic analysis of rule and guidance proposals. BDA recognizes that stakeholders can help in this regard by providing data and estimates of the costs and benefits that, in our case, dealers might realize from proposed changes. In this respect, we pledge to do our best in our comments on MSRB initiatives to provide as much information as possible to inform the MSRB’s economic analysis.

MSRB Rulebook

Here we discuss two specific recommendations with respect to MSRB rules and the Board’s ongoing retrospective rule review.

MSRB Rule G-17 disclosures—MSRB Rule G-17 and its related interpretive guidance require underwriters to make significant, detailed disclosures to issuers covering issues like the underwriter’s role in the transaction, the underwriter’s compensation, and actual and potential conflicts of interest. Some disclosures must be made “in the earliest stages of the underwriter’s relationship with the

²³ Municipal Securities Rulemaking Board, “Request for Comment on Draft Amendments to 2012 Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities” (

²⁴ Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of a Proposed Rule Change To Amend and Restate the MSRB’s August 2, 2012 Interpretive Notice Concerning the Application of Rule G-17 to Underwriters of Municipal Securities, 84 Fed. Reg. 39646 (August 9, 2019).

²⁵ *Ibid.*

issuer”²⁶ and others must be made when the underwriter is engaged to perform underwriting services. For frequent issuers, that means issuer officials likely receive identical disclosures from the same underwriters multiple times per year. The requirement is inefficient and unnecessary. We urge the MSRB to amend the Rule G-17 interpretive guidance so that if an underwriter has provided to an issuer compliant G-17 disclosures in the preceding year and the content of the disclosures has not changed, the requirement would be satisfied and the underwriter would not need to make multiple identical disclosures.

MSRB Rule G-10 disclosure—MSRB Rule G-10 requires dealers annually to “provide in writing (which may be electronic) to each customer” certain information about the dealer’s SEC registration and about the MSRB. The rule does not distinguish between customers who own or have traded municipal securities in the last year and those who have not. The rule results in superfluous disclosures to customers who do not own or trade municipal securities. We ask the MSRB to amend Rule G-10 to specify that it applies to customers who own municipal securities or who have traded municipal securities since the dealer’s last annual disclosure.

EMMA

The MSRB’s Electronic Municipal Market Access (EMMA) platform is an important asset to all market participants. The system has greatly improved municipal market transparency and provides an easy means for investors, issuers, dealers and others to access trade and price information, issuer financial disclosures, and other relevant information. We suggest two improvements to EMMA that would make it even more valuable to stakeholders. Our recommendations generally apply to improving access to and usefulness of issuer disclosure documents.

Naming conventions—Issuer records on EMMA sometimes include different names for the same issuer across various issues. For example, the City of New York might be referenced as City of New York, New York City, NYC, etc. This can make finding information on EMMA cumbersome, and users may miss information relevant to what they are searching for.

Linkage issues—Some issuers’ disclosure information on EMMA is difficult to find because it is not linked to all CUSIPs to which it applies. When an issuer files a financial statement, they may fail to associate the filing with all relevant outstanding CUSIPs. That can cause data to appear to be missing when a user searches for information on a CUSIP to which relevant disclosure filings have been filed but not linked.

These issues are of particular concern to the dealer community, since we rely on the disclosure information contained on EMMA in the context of our due diligence responsibilities in determining whether issuers are in compliance with outstanding continuing disclosure agreements—the “five-year lookback.”

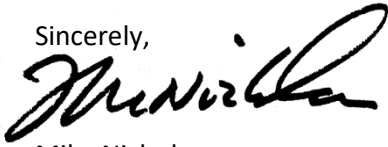
Conclusion

BDA welcomes the opportunity to provide comments on the MSRB’s strategic goals and priorities. We believe the strategic planning process can result in a robust agenda for future MSRB work. We value our

²⁶ Municipal Securities Rulemaking Board, “Interpretive Notice Concerning the Application of MSRB Rule G-17 To Underwriters of Municipal Securities,” August 2, 2012, www.msrb.org/Rules-and-Interpretations/MSRB-Rules/General/Rule-G-17.aspx?tab=2.

relationship with the Board and MSRB staff and we look forward to working with you on these and other initiatives to improve the municipal market.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Nicholas". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Mike Nicholas
Chief Executive Officer
Bond Dealers of America



January 11, 2021

Mark T. Kim
Chief Executive Officer
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Dear Mr. Kim and Mr. Smith:

I am writing regarding the **MSRB Requests Input on Strategic Goals and Priorities**. As the principal regulator of the \$4 trillion municipal securities market, MSRB plays a vital role for municipal securities across the country. We appreciate the opportunity to submit comments on your agency's Strategic Goals and Priorities. As your notice indicates:

The Municipal Securities Rulemaking Board (MSRB) today published a request for input notice on its strategic goals and priorities. Every three to five years, the MSRB engages in a strategic planning exercise to reassess the long-term direction of the organization responsible for safeguarding the integrity of the nearly \$4 trillion municipal securities market. The MSRB invites stakeholders to share their perspectives on how effectively the MSRB is fulfilling its Congressional mandate to develop rules and information systems that support a fair and efficient municipal market and its role as the industry's central repository for data.

[Ceres](http://ceres.org) is a sustainability nonprofit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy. Through powerful networks and advocacy, Ceres tackles the world's biggest sustainability challenges, including the climate crisis, water scarcity and pollution, and inequitable workplaces. The [Ceres Accelerator for Sustainable Capital Markets](http://ceres.org) is a center within Ceres that aims to transform the practices and policies that govern capital markets in order to reduce the worst financial impacts of the climate crisis. It spurs capital market influencers to act on climate change as a systemic financial risk -- driving the large-scale behavior and systems change needed to achieve a just and sustainable future, and a net-zero emissions economy. For more information, visit ceres.org and follow [@CeresNews](https://twitter.com/CeresNews).

Headquarters: 99 Chauncy Street, 6th Floor · Boston, MA 02111 · 617-247-0700

San Francisco Office: 369 Pine Street, Suite 620 · San Francisco, CA 94104 · 617-247-0700

www.ceres.org

All of the comments in this letter are based on the #2 and #3 elements of the mission of the MSRB “to protect investors, state and local government issuers, other municipal entities and the public interest by promoting a fair and efficient municipal market through:

1. The establishment of rules for dealers and municipal advisors,
2. The collection and dissemination of market information, and
3. Outreach and education.”

We believe that #2 and #3 items above are relevant to the implication of climate risks for municipal bond advisors and other market players.

Question 1. What are the important trends or developments you have your eyes on in the municipal market in the coming years?

Answer 1. MSRB is coordinating many elements of the municipal market extremely well and providing vital information to the municipal securities marketplace. We appreciate the strong and thoughtful leadership from MSRB and the many important functions you and your colleagues are providing. However, one vital area where we believe that MSRB can take a much more proactive role is examining the significant impact and risks climate change is having on our country generally and the cities and towns, their bondholders and other market participants.

Climate change is a systemic risk across all sectors of our economy. Unless we take significant and dramatic steps to change our capital markets, climate change will lead to serious negative consequences for the broader economy. As much as the broader financial markets are at risk, our country’s cities, towns, school districts, water and sewer districts, counties and other public entities are even more exposed to physical risks. Unlike corporations and individuals, they cannot physically move. By definition, they are limited by their physical boundaries. They are more exposed to the range of physical risks including, but not limited to fires, floods, cyclones, hurricanes, droughts and many other natural disasters. These physical risks have the potential to cause tens of millions of individuals across the United States to become “climate migrants”, unable to live, attend schools, and/or work in their current communities. We believe this market information is critical to protect investors and other market participants.

A range of recent research provides the MSRB with crucial analytical resources as it considers this critical issue and its impact on the municipal market.

1. Ceres reports and analysis:
 - a. June 2020 report: [Addressing Climate as a Systemic Risk: A call to action for U.S. financial regulators](#) outlines why and how U.S. financial regulators

who are responsible for the safety and security of the U.S. economy must recognize systemic climate risks and take immediate action.

- b. November 2019 case study [Analysis of Credit Rating Agency Integration of Water Supply Risks In Ratings of U.S. Municipal Drinking Water Utilities](#) concludes:

“Over the 2008 to 2018 period, credit rating agencies increasingly mentioned environmental factors such as water supply risk and drought in their ratings criteria for the municipal water sector. However, the results of the study also indicate that other considerations contributing to sustainable water systems could be more explicit in credit rating methodologies, such as consideration of how water utilities are mitigating long-term impacts of climate change, addressing environmental impacts of water supply capacity expansion, and employing alternatives to traditional water supply (e.g., water reuse, and groundwater recharge). These considerations have yet to be explicitly mentioned and included in credit rating agency rating methodologies. Specifically, the notable lack of mention of climate change as a negative credit rating factor in any downgrades or negative watches indicates a relatively short-term time horizon considered by the credit rating agencies in their ratings...” (P.49)

The MSRB can play a vital role in improving access to data through climate disclosure requirements. Under current rules credit rating agencies lack the requisite data and disclosure to make these judgements.

- c. This October 2018 column by our Vice President of Innovation & Evaluation and founder of Ceres’s Food and Water Programs: [How climate change threatens to leave water bonds high and dry](#) highlights the risk of water, climate and municipal bonds.
2. This October 2019 White Paper, [Climate Change Disclosure in Municipal Offerings](#) by Municipal Securities Regulation and Enforcement counsels at Ballard Spahr LLP Public Finance practice recognized climate change as a risk to municipal clients and recommended examples of specific actions to consider to disclose, assess and reduce risk.

“Climate change is among the hottest current discussion topics in municipal securities disclosure. Recently, regulators in the Office of Municipal Securities of the Securities and Exchange Commission (SEC) have repeatedly and publicly expressed concerns about the adequacy of municipal offering disclosures relating to climate change.¹ This should not be surprising, given the prevalence,

¹ See statements by Rebecca Olsen, Director, Office of Municipal Securities, Securities and Exchange Commission, and other speakers, made at SEC Municipal Securities Conference: The Road Ahead Municipal Securities Disclosure In An Evolving Market, December 6, 2018.

profile, and significant expense of increasingly frequent major storms—not to mention requirements for corporate registrants to include line-item disclosures on this topic in their SEC filings. There is widespread inconsistency and a lack of urgency in obligated parties' approaches to climate change risk and adaptation disclosure. We have prepared a white paper to help clients analyze applicable climate change risks and evaluate how best to disclose such risks and their approaches to adaptation to mitigate the same.”

The authors recommend that:

“[p]roper disclosure should provide specific descriptions of (1) known impacts and identified risks of climate change relating to the obligated party’s own facts and circumstances and (2) specific adaptation strategies planned or undertaken to manage the same. Such disclosures would provide investors with available information to formulate a risk profile and assess the extent to which disclosed adaptation strategies would actually address the perceived risks. Disclosures on risks usually take two complementary forms: (1) risk matters/investment considerations and (2) management discussion of mitigation strategies to reduce those risks. These are two different types of disclosures, but issuers and underwriters should consider them in tandem to fully convey to prospective investors the likelihood and potential magnitude of the risks, as well as the nature and efficacy of the responses undertaken by an issuer to address the perceived risks. Investors will want to assess the adequacy (and reasonableness) of the disclosure for the level of risk and the nature and quality of the management capabilities and efforts of the issuer.”

To support client efforts on disclosure, the paper provides specific examples of “effective” municipal disclosures on climate risk, adaptation and resiliency related to floods, drought, wildfires, rising sea levels, and coastal inundation. They also provide municipal clients with an example of disclosure relating to potential derivative risk from climate change adaptation legislation.

3. April 2019 report by BlackRock, the world’s largest investor prepared this analysis, [Getting physical: assessing climate risks](#). Key findings:
 - **“We show how physical climate risks vary greatly by region, drawing on the latest granular climate modeling and big data techniques. We focus on three sectors with long-dated assets that can be located with precision: U.S. municipal bonds, commercial mortgage-backed securities (CMBS) and electric utilities.**
 - **Extreme weather events pose growing risks for the creditworthiness of state and local issuers in the \$3.8 trillion U.S. municipal bond**

<https://www.sec.gov/spotlight/municipalsecurities/municipal-securities-conference-120618-transcript.pdf>

market. We translate physical climate changes into implications for local GDP — and show a rising share of muni bond issuance over time will likely come from regions facing economic losses from climate change and events linked to it.

- **Hurricane-force winds and flooding are key risks to commercial real estate.** Our analysis of recent hurricanes hitting Houston and Miami finds that roughly 80% of commercial properties tied to affected CMBS loans lay outside official flood zones — meaning they may lack insurance coverage. This makes it critical to analyze climate-related risks on a local level.
- **Aging infrastructure leaves the U.S. electric utility sector exposed to climate shocks such as hurricanes and wildfires.** We assess the exposure to climate risk of 269 publicly listed U.S. utilities based on the physical location of their plants, property and equipment. Conclusion: The risks are underpriced.”

4. May 2018 report from [Four Twenty Seven](#), a climate data and risk analytics firm majority-owned by Moody’s, [Assessing Exposure to Climate Change in U.S. Munis](#), found:

- *Rating agencies are increasingly considering climate change and previous extreme weather events as part of their evaluation of U.S. cities and counties. **These evaluations could be better informed by incorporating forward-looking, comparable data on the climate risks that impact these municipalities....***
- *Major hazards from climate change include cyclones, sea level rise, extreme precipitation, heat stress and water stress.*
- ***Findings show climate change will pose challenges to several economically important U.S. municipalities, especially those that are both highly exposed and financially vulnerable.** These cases most often occur along the Atlantic and Gulf coasts and inland areas that rely upon a concentrated set of sectors for revenue and employment.*

(Emphasis added.)

Climate related events have negative implications for the property tax base that municipalities rely on for debt repayment. Climate change risks need to be transparently communicated to potential investors. This is fundamental to MSRB's role in promoting an efficient municipal debt market.

A January 2020 report by McKinsey Global Institute, [Climate risk and response: Physical hazards and socioeconomic impacts](#) assesses the socioeconomic risk from “acute” hazards, which are one-off events like floods or hurricanes, as well as from “chronic” hazards, which are long-term shifts in climate parameters like temperature. They look at two periods: between now and 2030 and from 2030 to 2050.²

² See further information in Exhibit A

As shown in the report cited above, there are important and growing risks from climate change. At the same time, there is a precedent for U.S. financial regulators and lawmakers to incorporate climate disclosure into regulatory frameworks. We believe this is in keeping with MSRB's role as an important regulator as well. Please note these examples:

- **The Federal Reserve System took steps to address climate change as a systemic risk in November 2020:**
 - It [announced](#) it has formally joined the [Network for Greening the Financial System](#) as a full member,
 - Chairman Powell made a formal [statement](#) on the importance of climate risk in financial regulations.
 - The Board of Governors of the Federal Reserve recognized the climate crisis as a key risk to U.S. financial stability in the [Financial Stability Report](#).
- **Commodity Futures Trading Commission's Subcommittee on Climate-Related Market Risk of the Market Risk Advisory Committee** produced a landmark report [Managing Climate Risk In The U.S. Financial System](#). This report will be specifically addressed later in this letter.
- The [U.S. House of Representatives](#) and the [U.S. Senate](#) climate committees made important statements on the role of financial regulators.
- **President-elect Biden** launched a [Climate Plan](#) which states, *"Biden's Day One Unprecedented Executive Actions to Drive Historic Progress . . . Requiring public companies to disclose climate risks and the greenhouse gas emissions in their operations and supply chains."*

With the above research and momentum in the regulatory and legislative efforts in mind, the MSRB has a unique opportunity to integrate, complement and support these efforts. While we understand that MSRB does not supervise public companies, we believe that the municipal marketplace should not disclose less than the companies located in their communities do. We do not believe that the investors, agents, brokers, rating agencies and, ultimately all municipal taxpayers, are less at risk than companies, and we believe that information related to municipal risks from climate change are equally important to them. As we note below, they would benefit from consistent mandatory climate disclosure. The MSRB is uniquely placed to respond to this critical need to protect the financial and socio economic interests of local residents, communities and other stakeholders.

Question 2. How would you assess the effectiveness of the MSRB at advancing its mission? What are we doing well? What should we improve upon?

Answer 2. Ceres strongly encourages the MSRB to join with other regulators and others and take these immediate steps:

- Declare that climate is a systemic risk to the municipal bond market (similar to the work of the Federal Reserve Bank, the CFTC subcommittee, several senior officials at the SEC and many state financial regulatory agencies).
- Establish a task force of internal staff and external individuals to develop a detailed plan to address the risks of climate change to the municipal marketplace and institute a multifaceted plan to address this risk.
- Prepare Annual Report(s) on climate risks for the municipal bond marketplace, including an analysis of data from EMMA and the actions taken and trainings offered.
- Develop a climate disclosure pilot initiative while the broader rules are being resolved.

As noted earlier, the U.S. Commodity Futures Trading Commission’s [Subcommittee on Climate Risks](#) addressed many topics including municipal securities regulators. On page 101, their three recommendations regarding municipal securities are clearly identified. Ceres’ CEO and president, Mindy Lubber, served as a member of this subcommittee and we strongly support these recommendations:

Recommendation 7.10: Municipal securities regulators should provide improved tools on the EMMA website to search for climate-related disclosure in municipal bond filings, similar to that provided for publicly traded companies, to allow better assessments of potential climate risk exposure in such assets and how they are being addressed.

Recommendation 7.11: Municipal securities regulators and the federal financial market regulator overseeing them should examine the quality of climate-related disclosures in municipal bonds’ official statements and continuing disclosures, and whether the disclosure provided is adequate for market participants to assess any underlying climate risk exposure. If disclosure is found to be deficient, they should issue a public statement calling on key stakeholders to improve disclosure, including municipalities, municipal advisers, and banks.

Recommendation 7.12: Municipal securities regulators and federal financial market and prudential regulators should study how risks facing municipalities differ from—and could in some cases be more impactful than—risks facing issuers and explore options to enhance disclosure on these issues. Some municipalities already disclose information, as part of their bond issuances, about floods, storms, dam safety, droughts, wildfires, sea level rise, and risk mitigation efforts, and further study could demonstrate that such disclosure should be enhanced.

Question 3. As the MSRB modernizes its rule book, how should we improve the rulemaking process and ensure guidance remains relevant to today’s markets?

Answer 3. MSRB should examine climate taxonomy being used by various regulatory agencies around the world, industry groups and voluntary standard setters in the U.S. to determine what type of taxonomy is most appropriate for use by municipal issuers.

There are voluntary disclosure systems that can be useful in this analysis. This could include [Task Force on Climate-related Financial Disclosures](#), [Global Reporting Initiative](#), [Climate Disclosure Standards Board](#), the Sustainability Accounting Standards Board (SASB) and others. SASB has built an ESG draft XBRL taxonomy covering 77 industries, many of which have municipal corollaries, including Electric, Gas and Water Utilities, Rail Transportation, and Health Care Delivery. [SASB blog](#)

Question 4. How can modernization of EMMA and related technology systems best support users? What gaps should be addressed to enhance market transparency?

Answer 4. EMMA and related technology systems are not meeting the need of municipal market participants to understand and evaluate the risks climate change poses to the municipal securities marketplace.

One set of concerns relates to the MSRB's current technological standard disclosure standard of PDF documents is outdated technology and a hindrance to data analytics and market efficiency. Many securities regulators, including the SEC, have addressed this challenge through adoption of data standards and taxonomies that are open source and render disclosures machine-readable, fully searchable, and exportable.

This lack of transparency is increasing the financial and societal risks posed by climate change. This was well outlined in a September 2020 Brookings Institute report, [Flying Blind What Do Investors Really Know About Climate Change Risks in the U.S. Equity and Municipal Debt Markets](#).

Based on an analysis of filings from 3,000 of the largest U.S. publicly traded firms over the last 12 years and samplings of official statements from all U.S. municipal bonds, the report outlines the limitations of climate disclosure overall in the financial marketplace. However, it singles out the municipal markets and finds that:

In municipal finance, disclosure of physical risks is even weaker, although many municipalities are exposed to flood, fire, heat stress, and other perils that could destroy infrastructure and undermine the tax and income bases essential to repayment of long duration bonds. Looking at large samples of the Official Statements released with new municipal debt issuances, we find no relationship

between objective measures of which municipalities are most exposed to climate impacts and what they disclose to the markets.

In our sample of municipal bond Official Statements, 10.5 percent of bonds tied to specific streams of revenue refer to climate risks, but only 3.8 percent of general obligation bonds do.

Disclosure by issuers of municipal debt would be improved by building national databases of critical infrastructure and exposure to climate-related perils. Regulators in states most vulnerable, such as Florida and California, could take the lead in experimentation. National regulators (FASB, PCAOB, the Fed) should promote best practices and emphasize fiduciary responsibilities.

Their report on page 12 continues,

Turning now to municipal finance, the materiality standards outlined above to guide disclosure are similar, but the practice of disclosure is much worse. While smaller than the corporate equity market, municipal debt—with a valuation of roughly \$3.9 trillion (MSRB, 2019)—is incredibly important to some individual investors and mutual funds

On page 13 the report continues,

On the municipal bond side, there is no publicly available equivalent to the Ceres keyword search. All municipal bonds are available on a centralized site (“EMMA,” maintained by the Municipal Standards Rulemaking Board [MSRB]) but they must be pulled one at a time with no search index pre-processing. Worse, there is no widely agreed-upon method for identifying which municipalities are at risk. (That lack of agreement is the root of a common refrain in the industry that even where concerns about climate change may exist, it is not possible to quantify them. We will show that is incorrect.) With large systematic data sets hard to obtain and methods for assessing risk in flux (at best), much of the discussion about how climate impacts affect municipal finance has been anecdotal yet illuminating. Some of the most at-risk municipalities in the country—New Orleans, Los Angeles, Charleston, SC, and Mobile, AL, among them—do not mention the term “climate change” once in their most recent bond offerings.

There is some evidence that municipalities simply don't pay attention to climate change when it comes to their financial offerings even when they are focused on dangers of climate in other areas of policy.

Data standards are lacking. We recommend that MSRB adopt technologies that enhance the ability to tag disclosures and tag data, so that investors can easily find information that is currently locked up in thousands of opaque PDF documents on

EMMA. Securities regulators already require corporate filings with tagged data, making access to data vastly more timely, accessible, and accurate, whereas municipal data is siloed in PDF documents and not presented using a standard data model.

While this lack of information is critical for all municipal bond issuers, it has a special significance for urban and underserved communities. Communities with higher concentration of families of color face greater risk of environmental dangers in their neighborhood. This can impact their lives, their communities, and ultimately the bond holders of that municipal debt. While the connections between racism and environmental dangers have been documented in countless articles, books and documentaries, Harriet A. Washington's 2019 book is especially impactful. In [A Terrible Thing to Waste: Environmental Racism and its Assault on the American Mind](#) she highlights the range of inequalities from air pollution, lack of transportation, pathogens, increased levels of industrial production, chemicals and pollution, food deserts, increased heavy metals and decreased parks and trails. All of these continue to highlight the inequities across our society and lead to greater individual inequities and community instability. Increased community instability can lead to greater risks for municipal bondholders as well.

Question 5. In what ways should the MSRB deliver on the promise of cloud-based computing to improve the availability of data for enabling market research and analysis?

Question 6. What are the most pressing knowledge and information gaps in the municipal market? How should the MSRB focus its educational efforts to provide value and impact for today's markets?

Answer 6. We commend MSRB for the professional development course you offer. Your platform [MuniEdPro: Municipal Market Education for Professionals](#) is a well regarded online platform. However, in our review of your current [MuniEdPro Course Catalogue](#), it is not clear there are any courses on the risk of climate change. We believe the MSRB should offer courses on different types of risks associated with climate change. There is extensive information available about the range of risks and the suite of potential responses and actions underway. There are also various organizations, including Ceres, that could be helpful in this effort.

The Commodity Futures Trading Commission's subcommittee report, noted earlier, on pages 94-95 outlines some of the shortcomings, noted in Exhibit B.

Conclusion

You have indicated, in a recent email, that your “focus as CEO will be to advance the core mission of the MSRB by modernizing our rules and technology and by leveraging data analytics to deliver greater value to the industry that we serve.” You further indicated you want “to update the rules, technology and data”. Addressing climate risks is a way of achieving these goals. .

Here is a summary of Ceres’ recommendations, including the CFTC recommendations noted above.

1. Declare that climate is a systemic risk to the municipal bond market (similar to the work of the Federal Reserve Bank, the CFTC subcommittee, several senior officials at the SEC and many state financial regulatory agencies).
2. Establish a task force of internal staff and external individuals to develop a detailed plan to address the risks of climate change to the municipal marketplace and institute a multifaceted plan to address this risk.
3. Prepare Annual Report(s) on climate risks for the municipal bond marketplace including an analysis of data from EMMA, actions taken, and trainings offered.
4. Develop a climate disclosure pilot initiative while the broader rules are being resolved.
5. Adopt disclosure standards, including machine-readable data standards, to enhance the availability, comparability, and timeliness of climate risk data to municipal debt investors.
6. Municipal securities regulators should provide improved tools on the EMMA website to search for climate-related disclosure in municipal bond filings, similar to that provided for publicly traded companies, to allow better assessments of potential climate risk exposure in such assets and how they are being addressed.
7. Municipal securities regulators and the federal financial market regulator overseeing them should examine the quality of climate-related disclosures in municipal bonds’ official statements and continuing disclosures, and determine whether or not the disclosure provided is adequate for market participants to assess any underlying climate risk exposure. If disclosure is found to be deficient, they should issue a public statement calling on key stakeholders, including municipalities, municipal advisers, and banks, to improve disclosure.
8. Municipal securities regulators and federal financial market and prudential regulators should study how risks facing municipalities differ from—and could in some cases be more impactful than—risks facing issuers and explore options to enhance disclosure on these issues.
9. MSRB should expand the current offerings on its MuniEdPro: Municipal Market Education for Professionals platform to include information on the risks of climate change to increase transparency and market efficiency in the municipal bond market.

We have no time to waste and have seen significant steps forward from policy makers, financial leaders and regulators. One of the hallmarks of your new Administration at the MRSB could be to recognize and establish policies and procedures for the municipal securities market to prepare for the growing climate risk that impacts all investors, raters, borrowers other key stakeholders in the municipal securities marketplace -- and ultimately all municipal taxpayers across the country.

Ceres stands ready to work with you and your colleagues in this effort.

Sincerely,

A handwritten signature in black ink that reads "Steven M. Rothstein". The signature is written in a cursive, flowing style.

Steven M. Rothstein
Managing Director
Ceres Accelerator for Sustainable Capital Markets
Ceres, Inc.

CC: Securities & Exchange Commissioners and key individuals

Exhibit A

The January 2020 report by McKinsey Global Institute, [Climate risk and response: Physical hazards and socioeconomic impacts](#), highlights:

- “As average temperatures rise, climate science finds that acute hazards such as heat waves and floods grow in frequency and severity, and chronic hazards, such as drought and rising sea levels, intensify.”
- “While the direct impact from climate change is local, it can have knock-on effects across regions and sectors, through interconnected socioeconomic and financial systems. For example, flooding in Florida could not only damage housing but also raise insurance costs, affect property values of exposed homes, and in turn reduce property tax revenues for communities. Like physical systems, many economic and financial systems have been designed in a manner that could make them vulnerable to a changing climate. For example, global production systems like supply chains or food production systems have optimized efficiency over resiliency, which makes them vulnerable to failure if critical production hubs are impacted by intensifying hazards. Insurance systems are designed so that property insurance is re-priced annually; however, homeowners often have longer term time horizons of 30 years or more on their real estate investments. As a result of this duration mismatch, home owners could be exposed to the risk of higher costs, in the form of rising premiums (which could be appropriate to reflect rising risks), or impacts on the availability of insurance. **Similarly, debt levels in many places are also at thresholds, so knock-on effects on relatively illiquid financial instruments like municipal bonds should also be considered.**” (Emphasis added)

Exhibit B

The Commodity Futures Trading Commission's subcommittee [report](#), on pages 94-95 outlines some of the following shortcomings:

Municipal Securities The Municipal Securities Rulemaking Board (MSRB) and the Financial Industry Regulatory Authority (FINRA) oversee the municipal securities market. Rules require that underwriters in most municipal securities offerings ensure that municipal issuers make information about themselves and their securities available both at the time of the offering and on an ongoing basis. Voluntary guidelines for primary and ongoing municipal bond disclosure, such as those promulgated by the Government Finance Officers Association (GFOA) and the National Federation of Municipal Analysts (NFMA), emphasize that issuers should provide information necessary to ensure a clear understanding of their condition (NFMA, 2019; GFOA, 2020).

Congress and the SEC oversee the MSRB, and its rules generally must be approved by the SEC before becoming effective. The MSRB is not responsible for enforcing its rules or conducting compliance examinations. The SEC, federal financial regulators, and FINRA 94 MANAGING CLIMATE RISK IN THE U.S. FINANCIAL SYSTEM share responsibility for enforcement and compliance examinations in the municipal securities market. In 2010, Congress broadened the MSRB's mandate to include protection of state and local governments and other municipal entities, and extended the jurisdiction of the MSRB to include the regulation of municipal advisers. The MSRB's Electronic Municipal Market Access (EMMA) website aims to protect investors and municipal entities in the municipal market by increasing the transparency and availability of market information, including offering documents, official statements, and continuing disclosures.

To date, municipal regulators and the bodies that oversee them have not issued guidance or rules related to climate risk disclosure for municipal bonds. Two reports have examined applicable disclosure laws and examples of municipal securities disclosure and found climate risk disclosure to be inadequate (Rhodes and Magrini, 2019; Hamilton, 2010). However, the SEC's stance appears to be evolving. At a 2018 SEC municipal securities disclosure conference, the director of the SEC's Office of Municipal Securities asked attendees how market participants were grappling with climate risk. Several panels discussed disclosure of extreme weather events and climate risks, with speakers noting increased investor demand for climate-related information (Olsen, 2018; SEC, 2018).



Lisa Churchill, PG

Founder

lisa@climateadvisoryllc.com

January 11, 2021

RE: Comment on MSRB's Strategic Planning Process

Dear Members of the Municipal Securities Rulemaking Board,

A fundamental challenge to creating the business case for climate resilience is the inability to readily access and aggregate financial data. This is especially true at the municipal level. The way in which the current municipal reporting is carried out precludes real time analytics or efficient comparisons across municipalities. It also fails to capture or disclose the actual costs of climate change. This means that municipalities, analysts, investors, the financial sector and public sector alike are always making decisions based on incomplete and outdated information.

This creates market inefficiency, excessive cost of data acquisition, and unequal access to information by various market participants. The MSRB has an important role to play in promoting a fair and efficient market by increasing investors' access to timely, relevant, high quality, and consistent data about municipal issuers' growing climate change risks.

Making the data within those reports machine-readable would bring about a much-needed paradigm shift. Electronic financial reporting and the ability to "tag" certain types of data would lead to both transparency and, just as importantly, significant innovation within the world of municipal finance. It would provide decision-makers and investors with the needed market clarity and certainty to pivot towards a more sustainable and resilient economy.

Dozens of securities regulators around the world, including the SEC, already require machine readable structured data disclosure. The technology tools and standards-setting communities to support such an effort by the MSRB are already in place and the feasibility of these types of standards is well-established. The Sustainability Accounting Standards Board (SASB) has created an ESG taxonomy that covers 77 industries, many of which have municipal corollaries, such as healthcare facilities, utilities, and transportation, providing a great starting point for a "test and learn" municipal market demonstration program that the MSRB could sponsor.

The next few years will likely witness a major transformation in the markets, as climate disclosures and ESG certifications become standard practice (and likely widely regulated). Municipalities should absolutely be leaders and active participants in this transformation; however, that will only occur if there is ready access to a machine-readable, "one-stop-source" of information for municipal finance.

Sincerely,

Lisa L. Churchill, Founder

www.climateadvisoryllc.com

Comment on Notice 2020-19

from Tonya Graham, Geos Institute

on Monday, January 11, 2021

Comment:

As an organization that directly assists communities in building climate resilience, we see regularly how communities stumble when it comes to making the business case for investments in resilience - followed by difficulty actually financing those improvements.

A fundamental challenge to creating the business case for climate resilience is the inability to readily access and aggregate financial data. This is especially true at the municipal level. The way in which the current municipal reporting is carried out precludes real time analytics or efficient comparisons across municipalities. It also fails to capture or disclose the actual costs of climate change. This means that municipalities, analysts, investors, the financial sector and public sector alike are always making decisions based on incomplete and outdated information.

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Response of the Global Legal Entity Identifier Foundation (GLEIF) to the Municipal Securities Rulemaking Board (MSRB) on strategic goals and initiatives

January 5th, 2021

The Global Legal Entity Identifier Foundation (GLEIF) is pleased to provide comments to the Municipal Securities Rulemaking Board (MSRB) on strategic goals and initiatives. GLEIF will focus its comments on the use of the Legal Entity Identifier (LEI) within the data collection and dissemination processes of the MSRB.

First, GLEIF would like to respond to Question 3. *“As the MSRB modernizes its rule book, how should we improve the rulemaking process and ensure guidance remains relevant to today’s markets?”*

The LEI currently exists in 26 various U.S. laws and regulations. The MSRB now includes the LEI in identification schemes for obligor and credit enhancers. GLEIF appreciates MSRB’s decision to identify new broker deals with a LEI under form A-12, and each credit enhancer or obligor with an LEI under form G-32.

The inclusion of the LEI in identification schemes is an important step in promoting the importance of LEIs. However, GLEIF thinks that more needs to be done to encourage the widespread adoption of LEIs by municipal market participants.

GLEIF also would like to propose that there is the opportunity for the MSRB to consider broader use of the LEI in its regulatory data collection frameworks to identify parties and market players in a standard and consistent way. There is the opportunity to leverage the LEI to identify all parties covered in additional rules, namely brokers, dealers and municipal securities dealers in their roles as syndicate managers, underwriters, members of a syndicate, advisors and other roles. As the MSRB’s mission is to protect investors, state and local governments and other municipal entities, obligated persons and the public interest by promoting a fair and efficient municipal securities market, the Global Legal Entity Identifier System (GLEIS), as a public good, could allow investors, state and local governments and other municipal entities, obligated persons and the general public to benefit from using the GLEIS as a trusted open source for identity and identification management of these parties involved in the municipal securities issuance and sales processes. This would permit the MSRB to use the LEI consistently and comprehensively across rulemaking requirements.

Consistent use of the LEI in the U.S. would greatly enhance information sharing across different government entities. Today, the U.S. government utilizes [more than 50 different identifiers](#) for legal entity identification; which causes manual reconciliation of data and drain of resources. Instead of using/accepting a plethora of identifiers, the MSRB could leverage the LEI, as an established open source, to harmonize and sharing of critical data. The OPEN Data Act seeks to synchronize data across various agencies, inclusive of regulators. Consultations and amendments to existing requirements are an opportunity to re-consider existing identifier schemes with a longer-term vision for broader use across U.S. agencies. The continued use of proprietary identifiers prohibits the sharing of data across agencies.

The LEI is an open standard and therefore has no restrictions on use or redistribution. All LEI and

associated LEI data can be found on GLEIF's public website and is made available to the public under a Creative Commons (CC0) license. Today, the MSRB uses an identification scheme, other than the LEI, to identify municipal issuers. This scheme, which lacks persistence with increased volumes of bond issuances, causing concerns from a data management perspective. The LEI is persistent and does not change.

The LEI is the only global standard for legal entity identification. It is a 20-character, alpha-numeric code based on the ISO 17442 standard developed by the International Organization for Standardization (ISO) and is an adopted U.S. standard. It connects to key reference information that enables clear and unique identification of legal entities participating in financial transactions.

LEI data records also contain information about an entity's ownership structure and thus answers the questions of 'who is who' and 'who owns whom'. Further, usage of the LEI could eliminate the need to collect Name and Address for each legal entity, as this reference data also is part of the LEI data records. Simply put, the publicly available LEI data pool can be regarded as a global directory, which greatly enhances transparency in the global marketplace.

The drivers of the LEI initiative, i.e. the Group of 20, the Financial Stability Board and many regulators around the world, have emphasized the need to make the LEI a broad public good. As such, the LEI and its associated reference data are accessible to all as open, public data. The Global LEI System is overseen by the Regulatory Oversight Committee (ROC) which includes the Federal Deposit Insurance Corporation (FDIC), Federal Reserve, Department of Treasury, Office of the Comptroller of the Currency, Securities and Exchange Commission, and Consumer Financial Protection Bureau. Mr. Alan Deaton of the FDIC is currently vice-chair of the Regulatory Oversight Committee.

In December 2020, ROC published its [Guidance for General Government Entities](#). In the Guidance, the ROC clarified that a better identification of government entities with the LEI could enhance accountability for tracking government spending and enhance transparency by collecting government financial data in an automatable fashion which is required for digital structured documents. The ROC is of the view that a government entity, should be eligible for a LEI as long as it can acquire legal rights and obligations under the national law to which it is subject. This is true, even if the entity is not incorporated or has no other legal personality as long as the entity should be able to enter into legal contracts under a jurisdiction's laws. This may involve issuing, buying and selling financial assets or being a counterparty to a financial transaction. The ROC has introduced two new entity categories for this purpose: "RESIDENT GOVERNMENT ENTITY" and "INTERNATIONAL ORGANIZATION", with the implementation scheduled for March 2022.

Therefore, GLEIF would like to emphasize that not only financial service providers but also state and local government entities can be identified with the LEI. MSRB could consider expanding the LEI requirement for all municipal securities issuers, including public sector participants.

GLEIF would also like to submit its comments for the Question 4. *"How can modernization of EMMA and related technology systems best support users? What gaps should be addressed to enhance market transparency?"*.

The OPEN Government Data Act sets an official presumption that "Government data assets made available by an agency shall be published as machine-readable data...in an open format, and...under open licenses." It also includes a mandate for the appointment of Chief Data Officers (CDOs) and the

creation of a CDO Council. There is momentum towards embracing open identification schemes across the U.S. government thus impacting current proprietary identification schemes which severely limit data sharing.

For the second consecutive year, GLEIF has published its annual report in human and machine-readable Inline eXtensible Business Reporting Language (XBRL), the open international standard for digital business reporting, managed by a global not for profit consortium, XBRL International. The LEI embedded within both the annual report and the digital certificates of GLEIF's signing executive officers. As the OPEN Government Data Act progresses, there is an opportunity for the MSRB to now examine incorporating XBRL, inclusive of the LEI, into financial reporting. Today, more than fifty thousand municipal issuers file annual reports in PDF formats which are not machine readable. Therefore, understanding the financial health of municipal issuers is tedious and time consuming for market investors, whereas XBRL provides for structured data access and extraction.

On a related note, GLEIF would like to provide an update on its latest work in Verifiable Credentials (VCs). Digital identity management with the additional feature of decentralized identity verification is now possible. Based on a concept known as Self Sovereign Identity (SSI), this new approach to authentication and verification of digital identity began as a means by which a person, the identity owner, has ownership of his/her personal data together with control over how, when, and to whom that data is revealed. In several proof of concepts (POCs), GLEIF challenged SSI providers to extend the basic concept of 'individual wallets' and to create "organization wallets". In these wallets, the basis for identity is the organization's LEI, and the VCs issued to persons in their official roles within or in relation to the legal entity are tied to the organization and its LEI. Critical to this is the fact that the contents of the wallet credentials, in the form of a digital schema, can be designed by each organization to cover the particular identification and verification needs that the organization may have.

The initial POCs conducted by GLEIF simulated a regulatory filing. In this scenario, the SSI provider and GLEIF enabled a trust chain with GLEIF as the root of trust for the LEI. The regulator was able to verify the authenticity of the VCs of persons in official roles at the legal entity, the legal entity itself, the LEI Issuer, as well as GLEIF. Work recently has begun by the International Standardization Organization on an [international standard](#) for identifying official organizational roles, that is planned to be used within these credentials to clearly state the roles of persons acting on behalf of legal entities, is under development at the ISO.

Based on the success of the POCs conducted and the demand for leveraging the LEI in digital organizational credentials that followed, [GLEIF has launched](#) an effort to create an ecosystem and credential governance framework, together with a technical supporting infrastructure, for a verifiable LEI (vLEI), a digitally verifiable credential containing the LEI.

The MSRB has already appointed a CDO and GLEIF would be pleased to further engage with the MSRB on these topics and provide further information, if requested.

Submitted by:

Stephan Wolf, CEO GLEIF

Stephan.Wolf@gleif.org



Government Finance Officers Association
660 North Capitol Street, Suite 410
Washington, D.C. 20001
202.393.8467 fax: 202.393.0780

January 11, 2021

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street, NW, Suite 1000
Washington DC 20005

RE: Public Comment on MSRB's FY21 Priorities

Dear Mr. Smith:

Thank you for the opportunity to provide input on the Municipal Securities Rulemaking Board's (MSRB) Fiscal Year 2021 strategic goals and priorities. The Government Finance Officers Association (GFOA), representing over 21,000 members, appreciates the opportunity to provide comments to the MSRB on their numerous rulemaking and general guidance efforts. The COVID-19 Pandemic is among the many pressures affecting the issuance of municipal obligations. This underscores the importance of a strong strategic plan for all the agencies that support governments, including the MSRB. State and local governments and entities depend on the MSRB to provide stability through rule development and implementation for broker-dealers and municipal advisors. State and local governments also depend on the MSRB for technology and systems that allow issuers to provide information to market stakeholders.

As the COVID-19 pandemic has created challenges for the market and issuers, GFOA has led – and continues to lead – industry group efforts to provide guidelines and principles regarding disclosure. These education efforts, along with industry groups and the support of the MSRB, have been distributed and used by issuers as they continue to accomplish their disclosure efforts generally and in the midst of the COVID-19 pandemic. We would ask the MSRB to enhance these efforts of market participants as well as we believe these efforts are to the entire municipal market's benefit.

We also acknowledge that the MSRB has also new leadership through the onboarding of Mark Kim, a former GFOA and Debt Committee member, and will experience more change in board composition throughout 2021. We offer these suggestions generally, within the context of pandemic and the ongoing changes to ensure the sustainability, innovation and advancement that will help the MSRB achieve its mission of protecting issuers and investors.

MSRB Mission

As GFOA has commented in many previous letters to the MSRB, we view the MSRB's statutory mandates as solely related to the MSRB's specific authority to develop rules for the broker-dealers and municipal advisors. Additionally, the expanded authority given to the MSRB in the *Dodd-Frank Act* gives the MSRB authority solely to protect the needs of state and local governments, as financial products are recommended and sold by underwriters, municipal advisors, and other professionals under the MSRB's authority. The expanded mission also includes the design and maintenance of EMMA as a technology interface between issuers and investors.

We do not believe the MSRB's revised mission should interfere with or directly and unduly influence matters of state and local governments – whether that pertains to reported financial or budget information, the content and frequency of disclosures made to EMMA, or any issue related to the policies and practices of governments and issuers of municipal securities.

In the past, the MSRB has explored and committed resources to broader market issues unrelated to their mission. GFOA and other groups have noted numerous times that the MSRB should seek to avoid such action. Initiatives such as market announcements regarding selective disclosure¹, yield curve exploration², submission calculator³, and general advocacy to Congress⁴ about the municipal bond market and infrastructure are all concepts already well covered by industry education efforts.

While focusing therefore on its mandated mission, we are optimistic that the MSRB will continue to solicit industry input wherever possible. Additionally, when industry comes together to develop principles, we would ask that the MSRB support industry efforts and encourage their distribution. In order to most effectively address the education needs of all issuers, but especially needs of less-frequent issuers, GFOA would like to work with the

¹ Regulatory Notice: Market Advisory on Selective Disclosure (<http://www.msrb.org/Market-Topics/~media/A270A4C8CB29490094D07431A59EBCA2.ashx>)

² Request for Information on the Accessibility, Methodology and Utility of Indices, Yield Curves and Other Benchmarks (<http://www.msrb.org/~media/Files/Regulatory-Notices/RFCs/2018-20.ashx??n=1>)

³ Using EMMA to Identify the Timing of Financial Disclosures (<http://www.msrb.org/~media/Files/Resources/Investor-Resource-Timing-Financial-Disclosures.ashx>)

⁴ Municipal Bonds Financed Projects by Congressional District (<http://www.msrb.org/Market-Topics/~media/Files/Resources/Municipal-Bond-Financed%20Projects-by-Congressional-District.ashx>)

MSRB, and industry participants, to help inform and perhaps help design effective education material for the broad issuer community.

EMMA

We have been pleased with the MSRB's work on EMMA, especially the development of platforms and features that enhance an issuer's ability to use EMMA with greater ease and consistency. GFOA's efforts in 2021 will continue to encourage the MSRB to develop relatively simple changes that will enhance the usability of the system for issuers.

We would appreciate the MSRB continuing to reach out to GFOA and develop recommendations through the Market Transparency Advisory Group (MTAG) about EMMA educational efforts and enhancements for two primary reasons. First, so that issuers – as one of the primary users of the system – can provide feedback to the MSRB as it establishes new or improved features. And second, so that we can notify our members of changes within the system and provide resources, as appropriate, to facilitate best use of the system. We continue to suggest recommended changes to EMMA that we have repeatedly requested that would enhance the issuer user experience of EMMA. Our general recommendations for EMMA improvements are as follows:

- *Involve users in making data enhancements early and often and include a variety of different types of users during those enhancements.* The MTAG included diverse industry perspectives on the export of EMMA to the cloud. GFOA recommends the MTAG, or an issuer-only group supported by the MSRB including much broader set of issuers, remain an active advisory group. In particular, the MSRB should be aware of and commit attention to the needs of all governments, including smaller governments considerations such as the cost impacts and educational efforts needed to ensure their robust use of EMMA. Likewise, engaging technology and user-experience professionals to work with market participants to design a more efficient and intuitive front-end for information providers (issuers) and end users (investors and other interested parties) by improving how information is input, searched and displayed. Use these professionals to ensure the transfer of the data to the cloud was accurate and will evolve to ensure data uploads by issuers is more efficient and user-friendly.
- *Make data correction/modification easier for issuers.* Changing or correcting data is often unreasonably difficult or sometimes impossible for issuers attempting to provide timely, relevant and accurate disclosure of information. Correcting mistakes from previous self-filings by issuers and filings by underwriters should be simple technological tasks especially with the transition of EMMA data to the cloud. Similarly, issuers should be able to use a simple process to update information.

- *Allow for seamless flow of data between systems and sources.* Again, employ technology where appropriate to make data accurate, timely and meaningful across sources. The MSRB should implement quality control procedures to prevent systematic errors.

GFOA appreciates the staff and board outreach efforts that have already taken place in 2020. We will continue to set goals to have frequent discussions with the MSRB, such as debt committee calls, and we will work to extend that outreach to other issuer and market groups.

Rulemaking for Broker-Dealers and Municipal Advisors

GFOA supports continued regulation of these professionals, and the MSRB's purpose to do so. As the MSRB is looking to modernize its rulebook, we believe that such efforts should include eliminating unnecessary or duplicative standards, be done so with parity between participants, be clear to assist with compliance and understanding of how a rule serves to protect issuers (and investors). The MSRB should also resist implementing regulatory actions that could end up – directly or indirectly – being paid for by issuers.

Reduced Size of the Board

As GFOA commented in 2020⁵, our primary concern regarding the amendments to A-3 is issuer representation. The Exchange Act states that there must be “at least one” issuer on the Board. We continue to advocate for additional issuer representation, which the Board has incorporated in recent years. However, under these recent amendments, we are concerned that there is the potential for only one issuer represented on the Board.

The issuer community is vast and diverse and a similar representation on the MSRB Board would benefit the Board's consideration while fulfilling its mission. While a state level issuer may provide exceptional input on a host of matters that the MSRB is addressing, a state representative may not have the same perspectives and experiences as issuers from cities, counties, conduits and other types of issuers that comprise a majority of the issuer community. This same logic also works in the reverse whereas an issuer from a smaller government may not be able to represent sufficiently the experiences and views of a larger or state entity. Therefore, the MSRB should work to exceed its “at least one” issuer standard on an ongoing basis. As we suggested in 2020, the public members should be represented by 3 issuers, 3 investors, and 2 general public members.

⁵ GFOA Comment MSRB Release No. 2020-02 (<http://www.msrb.org/rfc/2020-02/Brock.pdf>)

Transparency – MSRB Operations

The MSRB continues to increase the transparency related to its activities. In 2010, we made the following recommendations regarding increased transparency and would like to reiterate them again a decade later:

- Meetings should be open, and allow for outside participation. While the MSRB has announced the topics covered in meetings ahead of time, we suggest that meeting agendas and minutes be posted, and that MSRB accepts comments related to agenda items.
- Regardless of the total number of board members, the number of issuer members should equal that of broker-dealers, financial advisors, investors and public members and the issuer members should be representative of the broad issuer community.
- The board and staff should look for systematic input from advisory groups and other outlets, of various market participants including issuers and investors. These advisory groups would facilitate meaningful input regarding the work of the MSRB.

Thank you for the Board's continued leadership and the vital work done on EMMA as well as the work to build developing a comprehensive rulemaking book and educational resources. We cannot stress enough the importance of maintaining dialogue and discussion about the MSRB's work related to the issuer community.

We are hopeful that in the coming weeks and months we can discuss these items further with MSRB staff and the Board, and generally increase issuer input into the MSRB's work.

Sincerely,

A handwritten signature in black ink that reads "Emily S. Brock". The signature is written in a cursive, flowing style.

Emily Swenson Brock
Director, Federal Liaison Center



January 11, 2021

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street, NW Suite 1000
Washington, DC 20005

RE: MSRB Notice 2019-20: MSRB Requests Input on Strategic Goals and Priorities

Dear Mr. Smith:

The National Association of Municipal Advisors (“NAMA”) welcomes the opportunity to discuss the Municipal Securities Rulemaking Board’s (“MSRB”) Request for Input on Strategic Goals and Priorities. NAMA represents independent municipal advisory firms and individual municipal advisors (“MAs”) from across the country and is very interested in the MSRB’s strategic plan initiative. Our comments here are generally consistent with past comments that we have made with regard to the MSRB’s mission, goals, priorities, and specific MSRB rules. We agree that with new leadership and a downsized Board, the MSRB is well positioned to review its past and current work and look for ways to leverage its resources and statutory authority to best serve the municipal market.

What are the important trends or developments you have your eyes on in the municipal market in the coming years?

Recognizing new trends and market developments is important so that the MSRB can work with stakeholders to identify areas or practices that need regulatory attention. However, that need with respect to the MSRB should be focused only on trends or developments that affect its statutory mission. As we discuss below, the MSRB has congressional authority to develop rules for broker-dealers and municipal advisors. Exercising that authority should direct the MSRB’s work including with respect to identifying trends and developments. If there are market practices that are developing that adversely affect issuers and investors, the parties the MSRB is legislatively mandated to protect, then the MSRB should address these issues. We specifically note that the identification of such practices may be conveyed to the MSRB staff by the Securities and Exchange Commission (“SEC”) Office of Inspections and Examination and Enforcement Division as those offices are in position to see practices that need new enhanced rulemaking to divert municipal market participants from engaging in activities that are harmful to issuers and investors.

The MSRB also has authority, as given to them by Congress and the SEC, to be the repository for issuer disclosure documents. It is this responsibility that led to the development and management of EMMA. While we encourage the MSRB’s work related to EMMA and other technology systems, the MSRB should focus efforts on ensuring that EMMA best facilitates the filing and retrieval of disclosure documents. The need for improving and being able to easily file and retrieve disclosure information is especially important as there are numerous efforts

underway encouraging issuers (or professionals they have authorized on their behalf) to provide additional voluntary disclosure documentation. We are also aware of concerns that the investor community have raised over time about how information in the EMMA system can be better presented to assist with investor needs to access disclosure documents, and suggest that the MSRB address their concerns as well.

While our next point is not a “market development” or “trend”, it is an area of great importance—how the MSRB approaches its own reserve levels and budget needs. We certainly understand the need to have reserves to protect operations during times of lower trade and issuance volume. However, there is not a consistent policy for addressing what happens when transaction volume far exceeds projections, and the MSRB revenues are much higher than budgeted (we note 2020 brought in a shattering new volume record, and many anticipate a continuing robust market in 2021). In the past, there have been rebates to broker-dealers and fee holidays. While looking at trends and developments, the MSRB should also consider how to address overfunding of reserves.

How would you assess the effectiveness of the MSRB at advancing its mission? What are we doing well? What should we approve upon?

Any assessment of MSRB’s effectiveness at advancing its mission must start with agreement as to the definition of such mission. NAMA reads the Exchange Act (Section 15B(b)) and SEC rules to identify the core MSRB functions as rulemaking and the development and operation of EMMA and other technology systems. The MSRB has often though, in the past, engaged in activities that go beyond the congressionally mandated and SEC approved items. These expanded activities include focus on market leadership and an education role, which we consider ancillary activities. Changes to MSRB’s own Articles of Incorporation (filed in the Commonwealth of Virginia), especially those made in 2010, have allowed the MSRB to institutionalize self-identified responsibilities of the organization that go beyond its congressionally developed mandate. Additionally, NAMA questions the MSRB’s need to fund these activities through increased fees on municipal advisors and broker-dealers.

NAMA, and other organizations, have commented in the past, and likely in this process as well, that the MSRB’s mission should focus on work that is specifically related to its mandates from Congress and the SEC. This includes educational efforts or protection of the public interest to be done - as stated in Section 15B(b) of the Exchange Act – that is limited to educational efforts within the scope of the MSRB’s rulemaking authority over municipal advisors and broker-dealers, and not more broad efforts the MSRB has engaged in recently. Further, the MSRB should look to sync the mission listed on its website and in its Articles of Incorporation, with the more accurate and limited mission expressed in the Exchange Act which would aid in the strategic planning process now in development.

The focus on modernizing the MSRB rulebook should serve as a recalibration in general for how the MSRB sees itself and portrays its work to the broader market and public. This pivot to focus on rulemaking, which we discuss further below, is a positive for the organization and marketplace and the MSRB should be applauded for undertaking this effort.

Positive changes at the MSRB in recent years include the reduction of emails sent out to stakeholders. Many found the volume of emails to be overwhelming and more “marketing” in nature, which diluted more substantive emails and information that the MSRB produced. Since that time, the consolidation of information (e.g., compliance corner, quarterly emails) has been a positive and strategic improvement on the MSRB’s communications front.

Suggested improvements in addition to a focus on developing the MSRB’s core mission include reaching out to stakeholders at the beginning of the rulemaking process or other core-mission based initiatives. This would allow the MSRB to be better informed about professional and market practices as rules are developed and revised. This suggestion is being made so that MSRB staff can internally approach the drafting of rulemaking, guidance and

other documentation with a broader understanding of the matter that can enhance the beginning of the drafting process.

The MSRB should also curtail broad education efforts, such as Muni Ed Pro. Educational efforts made for rulemaking or other areas where the MSRB has jurisdiction (e.g., EMMA, other systems), can be provided in a straight forward manner (e.g., a “typical” webinar) and not through a costly system, where many of the offerings stray away from the MSRB’s core mission. We would also note that in some of these offerings, that the information provided is not necessarily correct or on point, or is simply a reiteration of a rule, which does not provide significant value to participants viewing these events. Furthermore, NAMA has identified portions of courses that misrepresent the way in which business may be conducted including financing structuring courses that assume that only broker-dealers structure transactions.

It is worth highlighting that neither MSRB Rule G-3 regarding continuing education requirements – nor FINRA regulations of the same nature – mandate NASBA approved Continuing Professional Education (CPE) credits. Since CPE credits are not required by the MSRB or FINRA, we do not see the value of this layer of administrative burden on the MSRB. Thus, NAMA again strongly urges the elimination of MuniEd Pro and instead asks that the MSRB develop webinars or events related to its rulemaking to help stakeholders understand a particular regulatory matter. The cost of Muni-Ed Pro is not justified by the value it brings to the market.

Obviously as the MSRB revises its rulebook, educational materials will be needed and straightforward educational offerings should be developed. These should be produced in written form for easier and better reference and if the webinar format is used, the events should be transcribed to assist regulated entities with finding and using information developed by the MSRB. The concern here is that at times there have been either in MuniEd Pro offerings or in other webinar settings, statements made or clarifications provided that can not be found elsewhere. NAMA also urges the MSRB to be cautious about the selective use of interpretive assistance through responses to individual practitioners or SEC and FINRA examination and enforcement staff. As the broader regulatory participant community could benefit from the clarity provided in some of these non public forums, the MSRB should seek to find a way to provide such information to the entire market. In the past, interpretive guidance given by the MSRB in these forums was consolidated and published for general consumption and, subject to the concerns we note below, should again be generally available.

Finally, on the matter of developing a focused MSRB mission, this would also help with MSRB finance and budget matters. NAMA has commented in the past that while the MSRB looks to increase, halt or adjust fees on various professionals, that this should only be done while also looking at the expenditure side of the ledger. A streamlined mission and workplan, which includes reducing or eliminating many ancillary projects, would allow a more focused approach to identifying budget needs, and how fees should and need to be assessed.

As the MSRB modernizes its rule book, how should we improve the rulemaking process and ensure guidance remains relevant to today’s markets?

NAMA supports the MSRB’s focus on modernizing its rulebook and the retrospective rule and guidance review process. As has been commented over the past few months, a vast majority of this work will focus on broker-dealer rules, yet will be helpful to all market participants, especially regulated parties who could be aided by revised rulemaking and guidance to help both in practice and with compliance responsibilities.

NAMA is aware of the significant time and effort it will take to address, review, revise and restructure many MSRB rules and guidance. Having a process in place to determine which rules and guidance to tackle first, how that will be done, and how to solicit input from stakeholders will be imperative to this substantial undertaking.

While the rulebook should reflect current market practices, there are numerous changes and updates that need to be done just to get rulemaking and guidance to current time. NAMA's suggestions to address both of these areas include:

- Where there are legacy references to “financial advisors” that phrasing should be updated to “municipal advisors.”
- Where rules developed prior to passage of the Dodd Frank Act do not reflect the regulation and definition of municipal advisors, either in passing or substance, the rulemaking and guidance should be revised.
- In guidance that is beneficial to both MAs and broker-dealers, incorporation of MAs into the framework and notations should be completed.
- There are many types of “guidance and advisories” developed by the MSRB over the years. Twenty years ago guidance was mainly interpretative guidance that needed SEC approval. Today such “guidance and advisories” especially for MAs are not as structured, and do not need SEC approval. NAMA believes that the MSRB should focus on a principles based approach to guidance, as much as possible. While there may be areas where more robust interpretive guidance is needed (e.g., Rule G-37) aside from those documents, the MSRB should strive to develop one form of guidance/advisories across stakeholder lines. Having a uniform document structure outside of formal rules (issue area, content structure, “guidance”, format) would be helpful to all parties and reduce confusion about how to use such “guidance.”

NAMA suggests that such uniform guidance build from the MSRB's recent work where non-binding “considerations” and/or FAQs are presented. We strongly encourage the MSRB to solicit public comment and seek input from professionals on guidance development to ensure that these documents can be best utilized on the ground for practicing MAs and broker-dealers, and for firm compliance programs.

- Where possible, MSRB rules should match FINRA rules to avoid duplicative and administratively burdensome requirements on broker-dealer firms. MSRB should be especially conscious of the cost to firms of even small deviations in the rules and consider whether the additional regulatory protection gained, if any, justifies such deviations.
- All guidance and educational information related to rulemaking should be readily available (e.g., as noted above where a live or recorded event occurs having it also transcribed), and available free of charge to stakeholders.
- Related to specific modernization of the rulebook and guidance, examples of areas that the MSRB should address in this process include:
 - Unfinished work on Rule G-34 and CUSIP Numbers;
 - Rule G-23 and the modernization thereof to reflect the changes made in 2010 with the Dodd Frank Act that municipal advisors are now regulated;
 - Developing more approachable guidance to Rule G-40, than the three volumes of information first developed;
 - Enhancing G-42 guidance using a considerations/FAQs format to address not only issues that needed to be approached at the beginning of the rule's implementation but areas that have caused confusion in more recent times; and
 - More clear definition of Municipal Principal requirements for firms with multiple business lines.

- The MSRB should also extend their outreach efforts to speak with interested parties when comment letters are received in order to better understand the context of the written comments, engage in professional conversation, and answer any questions that MSRB staff may have about an association's or person's comments. As staff synthesizes and summarizes information received to present to the Board when rulemaking and other decisions are made, making sure that staff has as well rounded of an understanding and reasoning why a comment or suggestion is offered, would enhance the rulemaking process.

What are the most pressing knowledge and information gaps in the municipal market? How should the MSRB focus its educational efforts to provide value and impact for today's market?

The MSRB should focus on leveraging its knowledge and information to those areas that are unique to the MSRB and its narrow statutorily-mandated roles. There are numerous trade organizations that provide educational materials to their members. The MSRB should look to what it – as a regulator – can provide the marketplace related to their core work and mission.

Finally, we would note that the MSRB's rulemaking and other initiatives should answer the question "how does this protect municipal bond issuers and/or municipal bond investors." That is the key phrasing in the Exchange Act that provides an overarching guide to the MSRB's work. Perhaps incorporating this question into internal and external (request for comment) thought processes would further enhance MSRB's focus on the reasoning for specific outputs as well as its general mission.

Thank you again for the opportunity to comment on this important strategic planning initiative. NAMA welcomes the opportunity to discuss our comments further with MSRB staff and the Board.

Sincerely,



Susan Gaffney
Executive Director



January 11, 2021

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street, NW, Suite 1000
Washington DC 20005

RE: Request for Input on Strategic Goals and Priorities

Dear Mr. Smith:

On behalf of the nation's State Treasurers, we thank you for this opportunity to provide input on the Municipal Securities Rulemaking Board's (MSRB's) Request for Input on Strategic Goals and Priorities (2020-19). The National Association of State Treasurers (NAST) represents State Treasurers or state finance officials with comparable responsibilities from the United States, its commonwealths, territories, and the District of Columbia, along with employees of these agencies.

State Treasurers and debt managers manage approximately more than \$900 billion in municipal securities and rely on the MSRB to regulate the market by developing and implementing rules for the broker/dealer and municipal advisors communities. As such, we look forward to our continued work with the MSRB and wish to start our comments by welcoming its new CEO, Mark Kim. We plan to weigh in on specific questions from the notice as appropriate, but also wish to generally comment on the strategic goals and priorities of the MSRB.

Issuer Representation and Board Composition:

While municipal issuers are not directly regulated by the Securities and Exchange Commission (SEC) nor the MSRB, they nonetheless are frequently impacted by the activities of the MSRB and rely heavily on the technology it renders and maintains. NAST has long held that due to the volume and diversity of municipal securities managed by Treasurers, the Board should have at least one State Treasurer on it at all times.¹ We also recognize that the diversity among issuers also necessitates more than one issuer voice on the Board. As such, we have expressed our concerns during the MSRB's A-3 rulemaking process that the reduction in Board size should not lead a reduction to

¹ State Treasurers frequently manage the issuance and post-issuance compliance of short- and long-term statewide municipal debt, section 529 college savings plans, and section 529A "Achieving a Better Life Experience" (or ABLE) plans.

issuer presence and representation.² It remains NAST's position that there be at least one State Treasurer on the Board. We also urge the MSRB to continue to seek diversity in issuer voices by ensuring issuers have more than one seat on the Board moving forward.

Effectiveness at Advancing the MSRB's Mission:

The notice specifically requests input on the effectiveness of the MSRB in carrying out its mission, which is to “protect investors, state and local government issuers, other municipal entities and the public interest by promoting a fair and efficient municipal market...” It remains our position that the MSRB is empowered to regulate the market through the development and promulgation of rules for broker/dealers and municipal advisors. The MSRB should strive to minimize the burden such rules may indirectly place on state and local governments. We believe the MSRB can best carry out its mission by continuing outreach to and soliciting input from a broad array of issuers and issuer-representative groups. The MSRB should conduct thorough outreach to all market participants, including issuers, prior to and while proposing changes to its rules and the Electronic Municipal Market Access (EMMA) system. To that extent, we offer our members and organizational staff as resources as you seek to develop, refine, implement and provide educational resources related to these changes.

I have asked our Policy Director, Brian Egan (Brian@StateTreasurers.org) to answer any questions you and your team may have. We thank the MSRB for its partnership and leadership on critical issues impacting the marketplace. We look forward to continuing our work with the Board and to serving as a representative for statewide issuers of municipal securities.

Sincerely,



Shaun Snyder
Executive Director
National Association of State Treasurers
(NAST)

² <http://www.msrb.org/RFC/2020-02/egan.pdf>



January 12, 2021

Mr. Ronald W. Smith, Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000, Washington, DC 20005

pfm

1735 Market Street
43rd Floor
Philadelphia, PA
215.567.6100

pfm.com

Re: Request for Comment and Input on Strategic Goals and Priorities
Notice 2020-19

Dear Mr. Smith:

PFM Financial Advisors LLC (“PFM”) welcomes the opportunity to provide our input regarding the strategic objectives and key priorities of the Municipal Securities Rulemaking Board (“MSRB” or the “Board”). PFM is the nation’s largest independent registered municipal advisor and is the top-ranked municipal advisor in the nation in terms of both number of transactions and total dollar amount according to Refinitiv as of September 30, 2020. Our municipal market presence gives us a broad, national perspective on the municipal market on behalf of our municipal advisory activities and the municipal entity issuers we serve.

PFM appreciates the MSRB’s continued focus on suitably shaping the organization’s longer-term strategy and priorities in seeking to best deliver on the core mission as conveyed through the vision and values of the organization. PFM is providing these additional comments for consideration as the goal-setting process should seek to most concisely and adequately address the current and future needs of all applicable marketplace participants relative to the efficient and effective outcomes designed for supporting the municipal market.



Rulemaking, Guidance Rationalization, and Continued Modernization

The retroactive rule review remains a key and dynamic priority for the MSRB and staff to appropriately advance updates to longstanding guidance while modernizing the applied requirements to fit the current market, the structuring needs of various constituents, and finding balance in the efficiency of maintaining a strong foundation of regulatory compliance. PFM believes the primary rulemaking efforts for independent municipal advisors has been largely completed, and would support the retrospective efforts pertaining to municipal advisors focus on prior or updated guidance for the current real-world application in areas such as gifts, gratuities, contributions (political or charitable), and electronic recordkeeping.

We advocate for and look forward to additional clarity, uniformity, or noting of further distinctions between rule guidance and the more recent compliance resources made available as compliance program aids or as responses to frequently asked questions¹. We view the additional strategic emphasis in this central area as key for the MSRB to address the management of registrant compliance within regulatory requirements, and we look forward to the helpful simplification that will undoubtedly enhance the efficacy of compliance program application and maintenance.

Market Development Awareness through Stakeholder Engagement

From PFM's perspective, another area of critical strategic emphasis must center on the current and continued development of the municipal market structure, securities offerings, and communication with municipal market stakeholders. Our primary interest as a municipal advisor is the Board's consideration in this area for the needs of local, state and regional government

¹ See MSRB website Compliance Resources page (<http://msrb.org/Regulated-Entities/Resources>)



and obligated person market participants, and the effects of the regulatory environment upon their fiscal objectives.

A healthy and strong municipal market will require the MSRB maintain knowledge of the evolving needs and objectives of the municipal market through direct outreach and meaningful interaction with municipal entities, investors, municipal advisors, and municipal securities dealers. This interaction should be centered on garnering market realities and input from market participants where relevant to the rulemaking or regulatory rule amendment needs while seeking input on specific market areas without the unavoidable stiffness of processing comment letter submissions. More often this may not result in MSRB rule changes, however it would inform the MSRB's and market participants' understanding and reduce an unhealthy tendency for misunderstanding each other. For instance, there would likely be benefit derived from direct interaction amongst such an advisory group on current trends in the municipal market such as the marked reduction in tax-exempt issuance or the increase in prevalence of debt exchanges and tenders in larger refunding transactions. Continued cultivation of such a knowledge exchange would also reinforce the relatively agile management needed, and recently displayed, by the MSRB during the beginning stages of the COVID-19 pandemic.

We advocate for the Board to prioritize and establish an advisory group of municipal market stakeholders empowered to provide pointed input on current and evolving market developments.

Construal of the MSRB Role and Drive for Organizational Efficiency

As a self-regulatory organization, a constant strategic priority for the MSRB must be to remain clear regarding the organization's role and seek to avoid misinterpretation of that role. The strategic objective setting exercise serves as an opportunity to reaffirm and reinforce the fundamental role and mandate of the Board to set the appropriate regulatory framework for municipal advisors and



dealers, increase market transparency, and provide targeted educational resources². There should not remain too much room for interpretation. As the MSRB emerges from the planning stage and transitions to strategy execution, PFM supports ongoing clarity regarding the Board's priorities, the continued attention to the regulatory cost/benefit analysis for stakeholders, and measurement of the organizational economic efficiency impact for MSRB actions. We advocate for such interpretive discipline and organizational efficiency as it will be critical to the sustainable success of the MSRB and all municipal market stakeholders.

PFM greatly appreciates the continued outreach as the MSRB provides for the opportunity to share our input with the Board and staff during the important strategic planning process. We welcome the opportunity to discuss our comments or to otherwise provide additional helpful assistance.

Sincerely,

Leo Karwejna
Managing Director
Chief Compliance Officer

Cc: Ed Sisk, Chair, MSRB
Mark Kim, Chief Executive Officer, MSRB

² See "The Role and Jurisdiction of the MSRB" (<http://www.msrb.org/msrb1/pdfs/Role-and-Jurisdiction-of-MSRB.pdf>)



January 11, 2021

VIA ELECTRONIC SUBMISSION

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Re: MSRB Notice 2020-19 – Input on Strategic Goals and Priorities

Dear Mr. Smith,

The Securities Industry and Financial Markets Association (SIFMA)¹ appreciates this opportunity to comment on the Municipal Securities Rulemaking Board’s (MSRB) request for input on its strategic goals and priorities. We welcome this opportunity for a constructive conversation on the direction of the MSRB, particularly at the start of Mark Kim’s tenure as CEO and his outreach to various stakeholders. Below we provide high-level feedback on particular priorities identified by Mr. Kim as they relate to the MSRB’s mission.

I. Rulebook Modernization – It Should be a Holistic Review

We support the MSRB’s strategic goal to modernize its rulebook by updating the interpretive guidance to ensure it remains relevant and reflects current market practices.² However, the goal should be much broader than that. Now is the opportune time to review the rulebook holistically and we offer four considerations. First, we appreciate the MSRB’s recent efforts to invite feedback from stakeholders early in the rulemaking process, and we encourage the MSRB to continue this practice to try to ensure that the compliance and operational challenges are identified and addressed ahead of time. We do note that some of these challenges are only able to be identified when coding begins after specifications are released for new

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

² See, *A Message from MSRB CEO Mark Kim* (Dec. 21, 2020), <https://www.youtube.com/watch?v=msfcUFETdmA>

systems or compliance systems are developed and put into place, and appreciate working with the MSRB on these concerns when they are brought to light.

Second, the pandemic has highlighted the challenges of outdated rules and the need to modernize rule requirements to leverage technology. A likely long-term impact of the pandemic will be more people working remotely. Working closely with the SEC and FINRA, the MSRB should ease regulatory burdens to promote working remotely, including allowing dealers to establish and maintain supervisory systems that are reasonably designed to supervise the activities of each associated person while working from an alternative or remote location. We also support the MSRB reviewing its guidance to ensure it remains relevant and reflects market practices. We welcome the MSRB consolidating disparate guidance not publicly available, reviewing it for relevance, and going so far as to incorporate it into the rules, allowing the rules to speak for themselves.

Third, a rulebook modernization would not be complete without the goal of harmonizing requirements where possible, a perennial suggestion of ours, with FINRA's rulebook to eliminate regulatory burdens and ease compliance. To do so, the MSRB will have to examine the original justification for a rule that deviated from an analogous FINRA rule and decide whether such justification holds true today. SIFMA has highlighted unnecessary differences in the MSRB and FINRA rulebooks related to several rules, including advertising, customer account transfers, and supervision. As the MSRB undertakes this process, we will be happy to share our specific concerns about the rules that should be harmonized with FINRA rule requirements.

Fourth, while the rulebook is open for review, consideration should be given to leveling the playing field among dealers and municipal advisors (MAs), particularly when there is no justifiable rationale for different treatment. One example is Rule G-24, which prohibits dealers from "...using non-public information obtained in the course of certain fiduciary or agency capacities concerning the ownership of securities in furtherance of their business activities or for financial gain."³ Our members have observed non-dealer MAs using data (e.g., order allotment information) obtained from senior managers in underwritings pursuant to Rule G-11 for commercial purposes, without consent. We see no reason why the same rationale of fair dealing should not also apply to non-dealer MAs, and we request that this gap be closed by extending G-24 to them as part of the rulebook modernization process.

II. Robust Cost-benefit Analysis (e.g., Pre-Trade Price Transparency Initiative)

As it relates to the rulebook and the MSRB's mission of fostering efficient and fair markets, SIFMA reiterates our longstanding request that the MSRB engages in a robust cost-benefit analysis. One current example where SIFMA will be looking for a robust cost-benefit analysis is in any pre-trade price transparency initiative, a long-standing issue that received attention from the SEC's Fixed Income Market Structure Advisory Committee (FIMSAC)

³ MSRB Rule G-24.

recently. The FIMSAC recommended that the SEC, MSRB and others review whether there are effective actions that could be taken to improve transparency.⁴

While we support continued review of this issue, this is an example where we believe that the costs will outweigh any benefits, particularly because there are already mechanisms that provide not only for collecting and accessing trade prices indicative of actual market levels and other trade information, but also for the collection of disclosure information and other related municipal market information and data. The mechanisms are the MSRB's RTRS and EMMA platform, which have been supported by the dealer community through dealer regulatory reports and fees. Certainly, we welcome improving the quality of the data in the RTRS and EMMA if necessary, but we assert that the costs of a pre-trade price transparency initiative would outweigh any perceived benefits. It would be costly to develop and negatively impact market liquidity while yielding limited useful information for investors.

III. Improving Data Quality – Ultimately the MSRB as an Industry Utility

We support the MSRB's strategic priority of improving the quality of data and leveraging data analytics to identify market trends and emerging risks for market participants.⁵ We are happy to offer suggestions on how the MSRB could improve its data. As the MSRB positions itself as a data utility with improved data, we strongly believe it should consider the interests of our members. We would strenuously object to any regulatory requirements that either infringe on the intellectual property of members or require them to purchase their very own data back from the MSRB to meet such requirements.

IV. The MSRB's Role

We reiterate our long-standing belief about the appropriate role of the MSRB as it considers its strategic goals and priorities. With a new CEO, this is an opportune time for the MSRB to consider its role. We offer a few considerations for the MSRB as the self-regulatory organization (SRO) of the municipal securities market.

First, the MSRB must always keep in mind its primary role in relation to other regulators. The concern is that the MSRB has engaged in or considered regulatory initiatives that were more appropriate for another regulator to address and strayed from its core mission. A particularly noteworthy example is the Market Advisory on Selective Disclosure, which many industry members felt was outside the MSRB's jurisdiction, but within the SEC's jurisdiction. It may be hard to ignore newsworthy issues, like derivatives, Environmental, Social and Corporate Governance (ESG), or other issues on its radar, but the MSRB must ask itself – and its stakeholders – whether an initiative would be best left to another regulator with primary regulatory responsibility, and importantly, expertise. This results in better regulation overall.

⁴ See FIMSAC, *Recommendation Concerning Pre-Trade Transparency in the Municipal Securities Market* (June 1, 2020), <https://www.sec.gov/spotlight/fixed-income-advisory-committee/fimsac-recommendations-pre-trade-transparency.pdf>

⁵ See, supra note 2.

Second, it is elemental as an SRO for the MSRB to always seek input on rulemaking and guidance from its stakeholders and to not overreach interpreting its own rules. An example that has raised concerns is the MSRB's Compliance Corner. While appreciated, the MSRB must be diligent that guidance does not inadvertently introduce new, conflicting, or duplicative requirements that have not benefited from input through the formal rulemaking process. An example of overreach beyond a rule's requirements is FINRA examination findings this past year that dealers were not in full compliance with Rule G-10 if they had not provided disclosures to every open brokerage account, even if they have never traded a municipal security in their account. The MSRB's interpretation is beyond the rule's requirements and has been costly to address for disclosures irrelevant to entire classes of clients.

Third and finally, the MSRB must always balance the interests of and strive for a level playing field between regulated entities. This includes regulating entities equally to not create competitive disadvantages by way of less regulation of some participants over, which we have seen, for example, with the impacts on the MSRB rules in the wake of the SEC's order this past summer granting MAs exemptive relief from broker-dealer registration for certain activities. This also includes assessing fees fairly, something our members are acutely aware of. Last year, despite a much-appreciated fee holiday, dealers still contributed approximately 94% of the fees collected relative to MAs.⁶ We appreciate the MSRB's greater budget transparency, proper management, and rebates, but we would like to see more effort made to assess fees fairly.

Thank you for considering SIFMA's comments on the MSRB's strategic goals and priorities. We welcome fuller discussion of our comments and can be reached at (212) 313-1000.

Sincerely,

Leslie M. Norwood

Leslie M. Norwood
Managing Director
and Associate General Counsel

Bernard V. Canepa

Bernard V. Canepa
Vice President
and Assistant General Counsel

⁶ See, Annual Report 2019, <http://www.msrb.org/About-MSRB/Financial-and-Other-Information/Annual-Reports/Annual-Report-2019.aspx>. Our percentage was calculated based on discernable fees assessed to dealers.



Response to MSRB Request for Comments January 11, 2021

Feedback on Question 4: How can modernization of EMMA and related technology systems best support users? What gaps should be addressed to enhance market transparency?



The MSRB is considering the modernization of their EMMA system, which is a repository for municipal data. The main problem is that the content is currently available only in PDF format. This is a response from a member of XBRL US, specifically addressed to their Question Number 4.

Comment 1:

EMMA is the Electronic Municipal Market Access system for a repository of municipal data.

Problem:

Outdated format!
The disclosures are only available in standard PDF format.



The PDF format is stored as a picture and cannot be edited. Since its content cannot be digitized or manipulated, it is very frustrating for users of this report to access and reuse the data.

Exxon Mobil Corporation
Condensed Consolidated Statement of Income
(in billions of dollars)

	Three months ending Sept. 30, 2018
Revenues and other income	
Sales and other operating revenue	14,187
Income from equity affiliates	1,982
Other income	458
Total revenues and other income	<u>16,627</u>
Costs and other deductions	
Crude oil and product purchases	41,176
Production and manufacturing expenses	9,091
Selling, general and administrative expenses	2,893
Depreciation and depletion	4,458
Exploration expenses, including dry holes	283
Non-service pension and postretirement benefit expense	307
Interest expense	180
Other taxes and duties	2,193
Total costs and other deductions	<u>63,557</u>
Income before income taxes	9,070
Income taxes	2,624
Net income including noncontrolling interests	<u>6,446</u>
Net income attributable to noncontrolling interests	190
Net income attributable to ExxonMobil	<u>\$6,256</u>

Investopedia

Problem:

Stored as a picture. Cannot edit or digitize its content.

Comment 2:

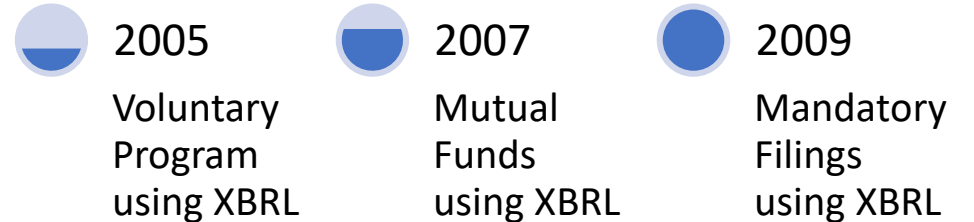
The MSRB is ready to modernize the EMMA system.

Problem:

There may be great anxiety about changing the EMMA system.
Who has done it before?

The financial world requires data-driven solutions and tools for data analysis. The SEC has been requiring corporate filers to submit their reports to the EDGAR system in XBRL format for the past 10 years. Municipal bond issuers and investors would benefit from a low-cost solution to publish and access audited financial reports online.

The SEC has modernized their systems.

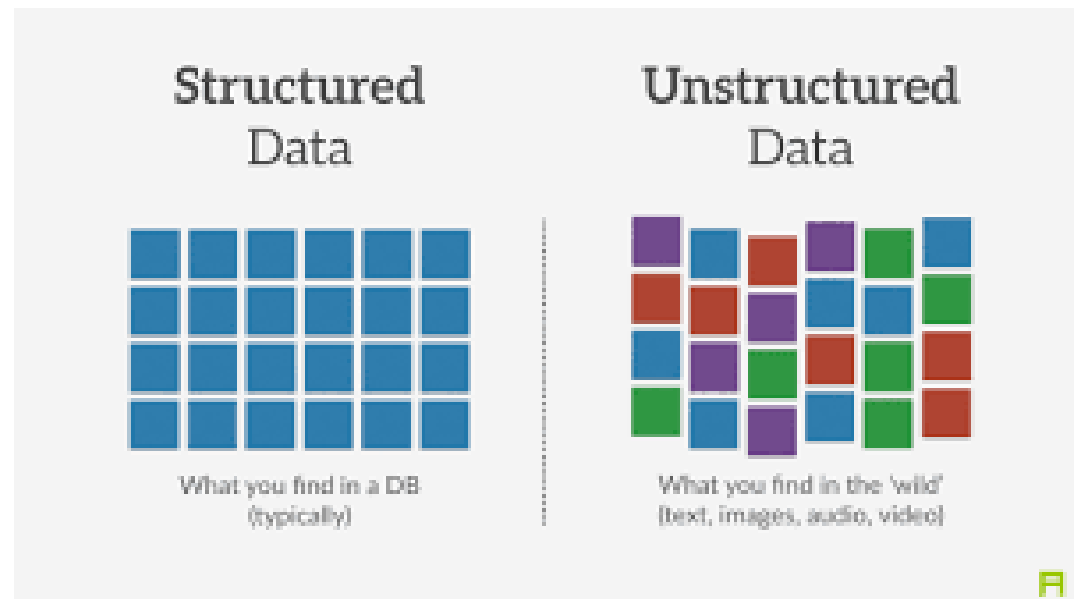


All publicly-traded companies and certain individuals use EDGAR – the Electronic Data Gathering, Analysis, and Retrieval system – to submit required, time-sensitive documents to the U.S. Securities and Exchange Commission in the XBRL format.

Comment 3: Why change from PDF to XBRL like the SEC?

Problem: Need to understand the benefits of structured data.

Why XBRL? Because XBRL provides a way to break down all the data into structured pieces that you can identify and reuse in other reports and ratios. Every piece of data uses (or is tagged with) a standardized identifier. No more apples and oranges! No more Tower of Babel! Everyone uses the same terms and definitions to share information.



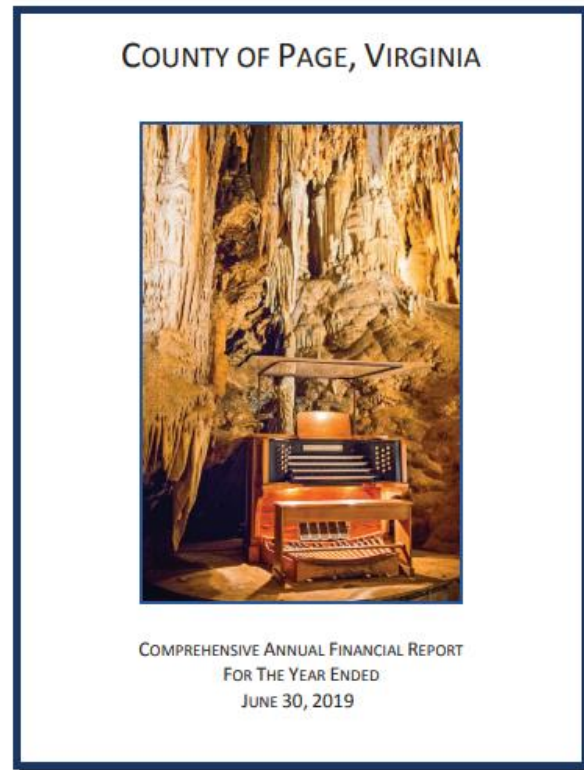
Structured data is data that is divided into standardized pieces that are identifiable and accessible by both humans and computers. It offers numerous benefits without burdensome manual processing. It allows investors, analysts and regulators to access, manipulate and compare data across periods using, for example, ratios for analysis.

Comment 4:

In summary,

Problem:

There may be some anxiety about changing the EMMA system for CAFR disclosures.
Change is distressing.
Change is costly.
Change is intimidating.



The state and local municipalities need a simple tool to prepare their own CAFR Reports using an XBRL taxonomy.

- Not expensive
- Easy to use – no technical knowledge
- Easy to map and extract data

In summary, the move to structured documents using XBRL does not have to be costly or unfriendly.

Comment 5:

APPENDIX

Here are some screenshots of how XBRL can show structured data for financial statements and ratio analysis. Notice how the content and values are tagged.

You may see a video version of this presentation on YouTube:
<https://youtu.be/B3e4CkhVcEw>



COUNTY OF PAGE, VIRGINIA Exhibit 1

Statement of Net Position
June 30, 2019

	Primary Government	Component Unit	Component Unit	Component Unit
	Governmental Activities	School Board	Economic Development Authority	Luray-Page Airport Authority
ASSETS				
Cash and cash equivalents	\$ 13,580,560	\$ 956,099	\$ 271,506	\$ 253,678
Receivables (net of allowance for uncollectibles):				
Taxes receivable	15,121,763	-	-	-
Accounts receivable	663,748	75,062	1,496,661	5,746
Notes receivable	-	-	2,725	-
Due from primary government	-	2,137,639	-	-
Due from other governmental units	1,120,158	569,221	-	-
Inventories	-	30,561	-	-
Prepaid items	-	292,151	-	-
Capital assets (net of accumulated depreciation):				
Land	1,970,464	977,491	-	-
Buildings and improvements	41,632,491	33,039,811	-	-
Machinery and equipment	1,142,999	1,370,111	-	-
Construction in progress	75,000	140,951	-	-
Total assets	\$ 75,307,183	\$ 39,589,101	\$ -	\$ -
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 993,443	\$ 3,772,141	\$ -	\$ -
OPEB related items	93,751	408,921	-	-
Total deferred outflows of resources	1,087,194	4,181,062	-	-
LIABILITIES				
Accounts payable	\$ 1,015,406	\$ 155,899	\$ -	\$ 38,702
Accrued liabilities	400,703	3,077,418	-	-

Attributes

Cash and Cash Equivalents

Tag	cafr:CashAndCashEquivalents
Fact	13,580,560
Axis	Type of Activities [Axis] - cafr:TypeOfActivitiesAxis
Member	cafr:PrimaryGovernmentActivitiesMember
Period	As of 6/30/2019
Measure	USD
Decimals	0

Prev Next 2 of 68

- Cash and Cash Equivalents As of 6/30/2019 13,580,560
- Cash and Cash Equivalents As of 6/30/2019 956,099
- Cash and Cash Equivalents As of 6/30/2019 271,506
- Cash and Cash Equivalents As of 6/30/2019 253,678
- Other Taxes Receivable As of 6/30/2019 15,121,763
- Other Taxes Receivable As of 6/30/2019 -
- Other Taxes Receivable As of 6/30/2019 -
- Other Taxes Receivable As of 6/30/2019 -
- Accounts Receivable As of 6/30/2019 663,748
- Accounts Receivable As of 6/30/2019 75,062

This is an example of an Excel file that has been converted into Inline XBRL. You can see that Cash and Cash Equivalents and the exact dollar amount have been “tagged” with the XBRL taxonomy element.



Examples of ratio analysis for the Commonwealth of Virginia, as created by a 3rd-party provider.

APA Ratios for 2018 Early Warning System
Local Government Fiscal Distress Model

	Ratio	Distress Monitoring	Points	Weight	Thresholds	
Government-wide Activity						
Ratio 1	Ability to make up revenue shortfalls	97.78%	●	0	10	>15% 15% to> 10% to> 5% or less
Ratio 2	Ability to pay current liabilities	66.58%	●	0	5	>60% 60% to> 30% or less
Ratio 3	Ability to fund expenses in unforeseen situation	30.40%	●	0	15	>15% 15% to> 10% to> 5% or less
Ratio 4	Change in Net Position	26.03%	●	0	10	>0% 0% to> -15% to> -40% or less
Ratio 5	Outstanding debt supported by tax valuation	1.67%	●	0	10	<3% 3% to< 6% or more
General Fund Activity						
Ratio 6	Ability to fund expenditures in unforeseen situation	17.56%	●	0	15	>15% 15% to> 10% to> 5% or less
Ratio 7	Sufficiency of reserves	17.97%	●	0	10	>10% 10% to> 5% or less
Ratio 8	Annual revenues sufficient for operations	116.76%	●	0	10	>100% 100% to> 60% or less
Ratio 9	Debt service repayment	9.22%	●	0	10	<10% 10% to< 20% or more
Ratio 10	Change in unassigned fund balance	19.85%	●	0	10	>0% 0% to> -15% to> -30% or less
Ratio 11	Reliance on State and Federal revenues	7.88%	●	0	10	<25% 25% to< 50% or more
Ratio 12	Enterprise Funds are self-supporting	There are no Enterprise Funds in this CAFR.		0	10	>100% 100% to> 50% or less
			TOTAL DISTRESS POINTS	0	over 125 max. points, or 0% fiscal distress.	

NOTE: ● The (green/yellow/red) position indicates the ranking level in the fiscal distress monitoring system.

APA Source: [Ratio analysis used by the Auditor of Public Accounts as part of the annual Local Fiscal Distress Monitoring Process.](#)

Inline XBRL

Highlight all tags

Taxonomy Elements

Line item
apa:RatioGovtWideRevenueShortfall

Value
0.48

Period
2018-06-30

Units
xbri:pure

Entity
47210100100000

City of Alexandria, Virginia

Auditor of Public Accounts - Commonwealth of Virginia

APA Ratios for 2018 Early Warning System

Details on Ratios

Ratio Details for Early Warning System

Government-wide Activity

Ratio 1 Ability to make up revenue shortfalls

47.78%

(Cash-current liabilities)/(charges for services+general revenues)

Cash and cash equivalents	336,089,928	
Cash and investments-fiscal agent	219,874,961	
Subtotal cash		555,964,889
Total liabilities	998,032,004	
Less: Long term debt	657,636,767	
Less: Net pension liability	163,020,518	
Subtotal current liabilities		177,374,719
Cash, net of current liabilities		378,590,170
Charges for services	77,661,733	
General revenues	714,712,769	
Subtotal revenues		792,374,502

Ratio 2 Ability to pay current liabilities

66.58%

(Cash/total liabilities)

Cash and cash equivalents	336,089,928	
Cash and investments-fiscal agent	219,874,961	
Subtotal cash		555,964,889
Total liabilities	998,032,004	
Less: Net pension liability	163,020,518	
Subtotal		835,011,486

Inline XBRL

Highlight all tags

Taxonomy Elements

Line item

apa:RatioGovtWideRevenueShortfall

Value

0.48

Inline XBRL

Highlight all tags

Line item

cafr:CashAndCashEquivalents

Value

336,089,928.00

Period

2018-06-30

Ratio Details for Early Warning System

General Fund Activity

<p>Ratio 6 Ability to fund expenditures in unforeseen situation</p> <p><i>(Unassigned+assigned fund balance/total expenditures)</i></p> <p>Unassigned fund balance 73,780,565</p> <p>Assigned fund balance 34,152,482</p> <p style="padding-left: 20px;">Subtotal 107,933,047</p> <p>Total expenditures 614,696,136</p>	<p>17.56%</p>
<p>Ratio 7 Sufficiency of reserves</p> <p><i>(Total fund balance/total revenues)</i></p> <p>Total fund balance 128,958,343</p> <p>Total revenues 717,727,325</p>	<p>17.97%</p>
<p>Ratio 8 Annual revenues sufficient for operations</p> <p><i>(Total revenues/total expenditures)</i></p> <p>Total revenues 717,727,325</p> <p>Total expenditures 614,696,136</p>	<p>116.76%</p>
<p>Ratio 9 Debt service repayment</p> <p><i>(Debt service/total revenues)</i></p> <p>Debt service principal 44,404,949</p> <p>Debt service interest 21,795,764</p> <p style="padding-left: 20px;">Subtotal debt service 66,200,713</p> <p>Total revenues 717,727,325</p>	<p>9.22%</p>

Inline XBRL

Highlight all tags

Taxonomy Elements

Line item
apa:RatioDebtServiceRepayment

Value
0.09

Inline XBRL

Highlight all tags

Line item
apa:DebtServicePrincipal

Value
44,404,949.00

Inline XBRL

Highlight all tags

Line item
apa:DebtServiceInterestAndOtherChar

Value
21,795,764.00

This is an example of how each concept and value is tagged with an XBRL taxonomy element.

January 11, 2021



Ronald W. Smith, Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

1211 Avenue of the Americas
19th Floor
New York, NY 10036
Phone: (202) 448-1985
Fax: (866) 516-6923

Dear Mr. Smith:

RE: MSRB Request for Input on Strategic Goals and Priorities

We appreciate the opportunity to provide input to the Municipal Securities Rulemaking Board (MSRB) Strategic Goals and Priorities, and we support the Board's efforts to improve its effectiveness and to better serve the municipal markets.

XBRL US is a nonprofit standards organization. Its members include public companies, accounting firms, software, data, and service providers, as well as other nonprofits and standards organizations. The mission of XBRL US is to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International, the nonprofit consortium responsible for developing and maintaining the technical XBRL specification, which is a free and open data standard widely used around the world for reporting by public and private companies, as well as government entities.

We support the use of data standards to improve efficiencies in reporting and analyzing municipal financial data, and to explore the opportunity, we have established the XBRL US Standard Government Reporting (SGR) Working Group¹. The working group has developed financial data standards² to support the reporting of Comprehensive Annual Financial Reports (CAFR) in XBRL format.

This letter responds to specific questions raised in the MSRB notice, and asks that the MSRB consider allowing municipal issuers to optionally provide their financial reports in machine-readable (XBRL) format. XBRL is an open, nonproprietary, widely used, global data standard that has been proven to reduce costs, to improve the accuracy and timeliness of data reported, and to adapt easily to changes in technologies and reporting requirements. This standard, applied to municipal issuer reporting, would vastly improve the ability of investors, regulators and other researchers to analyze data more accurately, consistently, and on a more timely basis.

¹ XBRL US Standard Government Reporting Working Group: <https://xbrl.us/home/government/state-and-local-government/>

² XBRL US CAFR Taxonomy, Demonstration Release, covers 7 statements, 2 Single Audit schedules, and selected pension and OPEB data: <https://xbrl.us/xbrl-taxonomy/2020-cafr/>

Response to questions

MSRB Question: *What are the important trends or developments you have your eyes on in the municipal market in the coming years?*

Worldwide, data standards are gaining traction for reporting by public and private companies, as well as government entities. As noted by XBRL International³, more than 150 digital reporting mandates exist across more than 70 countries, requiring digital reporting using XBRL by more than 10 million entities, including private and public companies, and governments. In the U.S., entities reporting to the Securities and Exchange Commission (SEC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Energy Regulatory Commission (FERC) are all required to submit data in XBRL format.

Yet some regulators have considered complicated workarounds to reach the detailed, valuable information buried in financial reports. For example, Natural Language Processing (NLP) has been proposed to extract, monitor, and analyze muni data; concerns exist about the efficacy of this approach, because data integrity is critical when it comes to basing investment decisions on reported data, and cannot be guaranteed with NLP. Similarly, artificial intelligence (AI) has been suggested as a possible solution; and while AI has promise, effective use of AI to glean information from large volumes of data **requires that data used, be in structured, standardized form** to ensure accurate findings. The CFA Institute's Mohini Singh, ACA, Director of Financial Reporting, noted in a recent blog post,⁴ *"For an AI system to effectively extract, understand, analyze, and learn from vast quantities of data, requires access to data that is clearly and unambiguously defined. When it comes to financial data, that can only be XBRL...XBRL data standards cannot be replaced by Artificial Intelligence. AI needs XBRL to provide unambiguous, consistent data to drive machine learning."*

Besides concerns over data accuracy, and the possibility that one such data processing platform may interpret data differently than another, workarounds like AI and NLP are expensive, which inhibits their availability for use with retail and smaller institutional investors. Practical use of these platforms is limited.

Other market trends that are likely to affect the municipal market over the intermediate term include COVID-19, domestic migration, rising pension and retiree healthcare costs, climate change and infrastructure deficiencies, all of which threaten credit quality and could increase market volatility. These trends lead to a greater need for consistent, timely, and potentially more frequent disclosures from municipalities.

In a joint statement⁵ published in May 2020, then SEC Commissioner Jay Clayton and SEC Director of the Office of Municipal Securities Rebecca Olsen, noted, *"Over the years, the*

³ XBRL International: <https://xbrl.org>

⁴ "Should blockchain or AI replace XBRL?", June 2019: <https://xbrl.us/blockchain-ai-replace-xbrl/>

⁵ "The Importance of Disclosure for Our Municipal Markets": <https://www.sec.gov/news/public-statement/statement-clayton-olsen-2020-05-04>

Commission has encouraged municipal issuers to provide robust, timely and accurate information to investors and market participants. The SEC’s focus on this issue has intensified in the past several years as we...have frequently called on municipal issuers to provide investors with more timely information, and also generally raised awareness about the importance of investor access to current financial information.”

“Today, in light of the potentially significant effects of COVID-19 on the finances and operations of many municipal issuers, we increase this focus and request that municipal issuers provide investors with as much information about their current financial and operating condition as is reasonably practicable. The fluid and unpredictable nature of the public health crisis and its financial and economic impacts on municipal issuers has placed investor need for timely financial information into stark relief. We observe that, in today’s markets, the typical practice of providing historic financial information in the form of an annual information filing or similar disclosure may not enable investors to make informed assessments of the municipal issuer’s current and expected future financial condition.”

More frequent disclosures increases the complexity of analysis significantly, making automating data processing through standards even more important.

XBRL also supports continuous change in reporting standards to accommodate revisions in disclosure requirements. For example, SEC reporting requirements change every year and are easily accommodated by the XBRL US GAAP Taxonomy used to support it; 6,000 companies transition seamlessly to a new taxonomy every year. The FDIC changes its reporting requirements for banks every quarter, and again, the FDIC XBRL taxonomy makes transitioning to new requirements easy for the 5,000 banks reporting. Not only is this beneficial for reporting entities, it reduces cost and complexity for the regulator collecting data and the investors and others consuming the data as well.

MSRB Question: How would you assess the effectiveness of the MSRB at advancing its mission? What are we doing well? What should we improve upon?

We appreciate the efforts of the MSRB to educate investors through MuniEdPro, the free online educational program which is well organized and very accessible. The MSRB has also made incremental changes to the EMMA interface that have improved usability.

MSRB Question: How can modernization of EMMA and related technology systems best support users? What gaps should be addressed to enhance market transparency?

Structured financial reports in machine-readable (XBRL) format would be substantially more useful for investors, regulators, and other data users. We urge the MSRB to consider how data standards would impact the current EMMA data collection and dissemination process.

To evaluate this approach, we encourage the MSRB to conduct a voluntary filing program that allows municipalities to opt in to provide their data in XBRL format, and could leverage an XBRL

taxonomy developed by the XBRL US Standard Government Working Group for those issuers who participate. This approach, which mirrors the Voluntary XBRL Filing Program undertaken by the SEC in 2005, would ease the burden on issuers as they could opt in, and would provide sufficient learning to help the marketplace evaluate the usefulness of data standards.

The cost to MSRB of a voluntary program could be minimized by leveraging open source technology developed by the SEC to display XBRL submissions, and by posting XBRL reports submitted by those participating as downloadable links on the MSRB site.

In addition, some public company entities that are private activity bond obligors, such as Pacific Gas and Electric Company (PG&E), submit disclosures to EMMA from their forms 10-K and 10-Q which are already in XBRL format⁶. The figure below shows a partial balance sheet for PG&E which has been prepared using Inline XBRL. Note that every value on the table highlighted in red is “XBRL tagged” and can be extracted automatically. The statement is shown in the open source display tool provided by the SEC which was referenced in the previous paragraph. This viewer can be used to depict any Inline XBRL document, regardless of the taxonomy used.

**PACIFIC GAS AND ELECTRIC COMPANY
(DEBTOR-IN-POSSESSION)
CONSOLIDATED BALANCE SHEETS
(in millions)**

	Balance at December 31,	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,122	\$ 1,295
Accounts receivable		
Customers (net of allowance for doubtful accounts of \$43 and \$56 at respective dates)	1,287	1,148
Accrued unbilled revenue	969	1,000
Regulatory balancing accounts	2,114	1,435
Other	2,647	2,688
Regulatory assets	315	233
Inventories		
Gas stored underground and fuel oil	97	111
Materials and supplies	550	443
Income taxes receivable	—	5
Other	635	448
Total current assets	9,736	8,806
Property, Plant, and Equipment		
Electric	62,707	59,150
Gas	22,688	21,556
Construction work in progress	2,675	2,564
Other	18	—
Total property, plant, and equipment	88,088	83,270
Accumulated depreciation	(26,453)	(24,713)
Net property, plant, and equipment	61,635	58,557

⁶ Pacific Gas & Electric 10-K SEC filing, December 31, 2019:
<https://www.sec.gov/ix?doc=/Archives/edgar/data/75488/000100498020000009/pcg-20191231.htm>

For EMMA submission today, entities like PG&E must save their filings in PDF format prior to upload. They would likely find it easier to report in XBRL format, and could be part of a voluntary XBRL submission program.

The timing for such a program is appropriate for the following reasons:

- The XBRL specification has evolved significantly since the SEC program was launched, and the first corporate filers began submitting XBRL data in 2009. Reporting entities can now prepare data in multiple formats, including XML, JSON, HTML (a specification called Inline XBRL, which renders their financial reports both human- and machine-readable), and even CSV (spreadsheet).
- XBRL reporting and analytical tools have expanded and matured, because of the wide range of XBRL implementations worldwide. This competitive marketplace of tools ensures low-cost, feature-rich offerings for reporting entities, data collectors and data analysts.
- More and more commercial data providers have transitioned to XBRL-formatted data because processing it is significantly faster and less costly than processing conventional data⁷, which lowers the cost of analysis for all data users.
- Corporations and investors are looking to the standardization of ESG (Environmental Social Governance) data. The Sustainability Accounting Standards Board (SASB) has built a draft XBRL taxonomy⁸ which covers 77 industries, including Electric, Gas and Water Utilities, Rail Transportation, and Health Care Delivery. While the focus of the SASB effort is on corporate data today, these standards could be adapted to support the municipal market as well.
- Several states have begun moving down the path to greater standardization. Florida, which passed [House Bill 1073](#), mandating XBRL for municipal financial reporting, has completed the taxonomy development stage and is poised to begin requiring local government reporting in XBRL. Last year, three Illinois General Assembly members introduced [House Resolution 0703](#) encouraging the use of XBRL for financial reporting by local Illinois governments. Other state and local governments have expressed interest in bringing standards into their reporting infrastructure, and have agreed to post their XBRL-formatted financials on the [XBRL US web site](#)⁹. Pilot programs are underway in California and Illinois; and in discussion in several other states.

⁷ Morningstar's Adrien Cloutier, Global Director of Equity Data noted in a recent video *"Extracting data from an HTML document takes at least 20 minutes, from a good quality PDF, takes around 30 minutes, from an image around 50 minutes. Data pulled from an XBRL file though, can be extracted in 1 to 2 seconds... lets us focus on better analytics rather than scraping data from documents."* Watch video: <https://xbrl.us/news/analyst-video/>

⁸ SASB announcement, As Markets Move Toward Structured Non-Financial Reporting, SASB Engages PwC's XBRL Practice to Support Build of Taxonomy: <https://www.sasb.org/blog/as-markets-move-toward-structured-non-financial-reporting-sasb-engages-pwcs-xbrl-practice-to-support-build-of-xbrl-taxonomy/>

⁹ Financial reports in Inline XBRL (HTML and XBRL) are posted for the cities of Bakersfield, CA, San Buenaventura, CA; the County of Page, VA; and from the College of DuPage, Illinois, and Oakton Community College, Illinois. Separately, Will County, Illinois has posted their financials in XBRL format on their web site: <https://www.willcountyauditor.com/financial-and-statistical-reports>

- As noted earlier, the Standard Government Reporting Working Group has built an open (freely available) XBRL taxonomy which could be leveraged for a voluntary program. This taxonomy covers seven CAFR statements, plan data for pension and OPEBs, and selected schedules from the Federal Single Audit report.

MSRB Question: In what ways should the MSRB deliver on the promise of cloud-based computing to improve the availability of data for enabling market research and analysis?

The ability to conduct research across the universe of entities today is virtually impossible due to the high cost of data acquisition. Moving to structured, searchable, machine-readable (XBRL) data would make this not only possible, but easy to conduct. When data is available in structured format, analyzing thousands of entities requires the same level of effort (and cost) as analyzing a single entity.

MSRB Question: What are the most pressing knowledge and information gaps in the municipal market? How should the MSRB focus its educational efforts to provide value and impact for today's markets?

EMMA, in its current structure, does not give investors the ability to answer questions about the financial health of the entities in which they invest. For example, a typical retail investor is unable to ascertain key credit drivers such as an obligor's total debt, revenues, expenditures, or the value of its assets. The accessibility of these critical data points is hindered because financial reports are not provided in machine-readable format and are often not organized or aggregated by obligor. To address these issues, we believe that innovations will be required in the assignment of obligor and security identifiers as well as the introduction of XBRL.

Among the identifier standards worth considering are Legal Entity Identifiers (although additional research on how it can be clearly defined to apply to US government entities may be needed), Open FIGI and DPC Data's proposed "comprehensive relational database linking every single bond issue to its correct "direct obligor", at the individual cusip-9 level, based on a rigorous and consistent credit-driven methodology".¹⁰

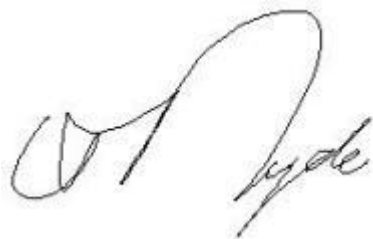
¹⁰ Triet Nguyen, "Solving the Municipal Markets's Fundamental Credit Data Problem", Bond Dealers of America, November 20, 2020. <https://bdamerica.readz.com/solving-the-muni-mrks-fundamental-credit-data-pro>

A way forward

The CAFR (XBRL) data standards built by the XBRL US Standard Government Reporting working group are open and freely available for use. We encourage the MSRB to consider a voluntary pilot program to accept CAFR reports in XBRL format for those entities who opt in. We would be happy to offer our support and expertise to such an initiative. We welcome the opportunity to discuss our recommendations with relevant MSRB staff members.

Please let me know if you have any questions or would like to discuss further. I can be reached at (917) 582 - 6159 or campbell.pryde@xbrl.us.

Regards,

A handwritten signature in black ink, appearing to read "Campbell Pryde". The signature is fluid and cursive, with the first name "Campbell" written in a larger, more prominent script than the last name "Pryde".

Campbell Pryde,
President and CEO