



Fiscal Year 2024 Budget

For the Fiscal Year Beginning October 1, 2023

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Dear Stakeholders,

The MSRB's annual budget provides the organization with the resources necessary to advance our mission of protecting investors and issuers and promoting the fairness and efficiency of the \$4 trillion market that ensures access to capital for communities across the country. For fiscal year (FY) 2024, the Board approved a \$47 million budget, which represents a 4.8% increase over the prior fiscal year.

Since 2018, we have published an annual budget report to support our commitment to transparency about our projected revenues, expenses and reserve funds. This FY 2024 report provides a closer look at the stewardship of our reserve funds and how we plan to allocate technology resources in the year ahead to deliver value to our stakeholders.

All of the key initiatives described in this report are aligned with the strategic goals we outlined in the long-term strategic plan we adopted two years ago. Now at the midpoint of that plan, we continue to make progress on our investment in modernizing municipal market regulation, providing transparency through technology, fueling innovation through data and upholding the public trust.

In the area of modernizing market regulation, we expect to move forward with an important change to our trade reporting rule, Rule G-14, to increase price transparency for investors while carving out exceptions that recognize the role of small firms and manual trades in our market. We continue to review the entire body of interpretive guidance in the MSRB rule book and have completed or are in the process of proposing the codification or retirement of approximately 20% of the MSRB's interpretive guidance pieces since launching our rulebook modernization initiative in February 2021.

As in prior years, technology remains a significant expense for the MSRB. We are in the midst of the largest investment in technology in the MSRB's history, starting with a migration to cloud computing that began in 2018. Today, we are pleased to report that 100% of the MSRB's technology systems and market data are in the cloud and that the migration was completed without any system downtime or market disruption. In 2021, the MSRB launched the second and final phase of its journey to the cloud, which is to modernize its systems to leverage the power of cloud computing and provide greater availability, reliability and security to all market participants. The MSRB is on track to complete the system modernization initiative in 2025.

In response to stakeholder comments, we are providing a more detailed breakdown of our investment in the technology systems that power our market and enable investors, issuers and market participants to make more informed decisions. The majority of our technology-related expenses are dedicated to maintaining and continuously improving the public's access to real-time price transparency and hundreds of thousands of disclosure documents on our free Electronic Municipal Market Access (EMMA[®]) website.

For FY 2024, the MSRB's new fee-setting process will adjust rates to ensure a more timely return of any excess revenue (i.e., surplus) to regulated entities and to better manage the organization's reserve funds. Following an 18-month, 40% fee reduction that returned over \$19 million to the industry, we have achieved our goal to reduce excess reserve levels that had accumulated over the years. We are projecting to end the year with a reserves balance near our current target of \$35 million, down from a high of \$67 million in 2018. A detailed explanation of our reserves and fee-setting process are included in this report.

We trust that our FY 2024 budget report answers your call for greater transparency and provides sufficient detail and context for you to understand our financial position and the key initiatives we are pursuing to enhance the fairness, transparency and efficiency of our market. We look forward to continuing to engage with you on these and other matters in the year ahead as we work together to give America the confidence to invest in our communities.

Sincerely,



Meredith Hathorn, Board Chair



Mark Kim, CEO

NEW!

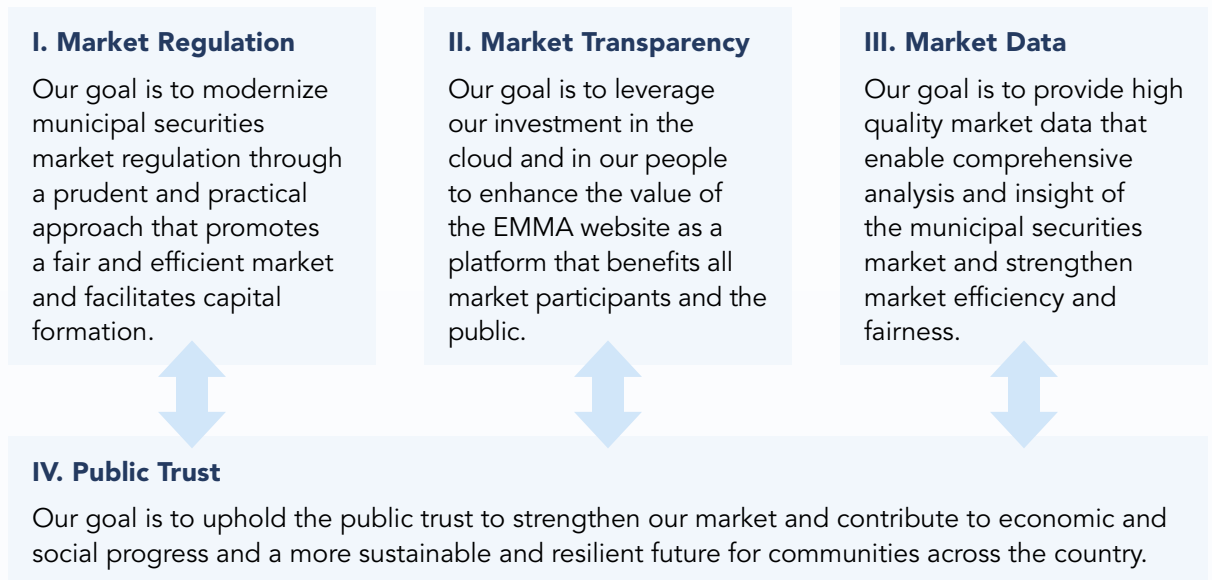
I. Spotlight on the MSRB’s Funding Philosophy and Considerations

To provide our stakeholders greater insight into the overarching philosophy and considerations that inform our annual budgeting process, the MSRB is this year including the following overview of the guiding principles and factors that the Finance Committee, full Board and staff consider at each step in our process.

Funding the MSRB’s Regulatory Mission and Strategic Goals

The MSRB’s highest priority is to fulfill its congressional mandate to protect investors, issuers and the public interest. Guiding the organization is a multi-year strategic plan, which articulates a long-term strategy to deploy the tools of regulation, technology and data in impactful ways that strengthen the municipal securities market and serve the public interest. The development of the MSRB’s annual budget is guided by key considerations in service of the MSRB’s regulatory mission and strategic goals.

MSRB STRATEGIC GOALS



Fiscal Discipline and Responsibility

Strong fiscal discipline with a focus on responsible expense management underpins the development of the MSRB’s annual budget. Considerations around the broader macroeconomic environment, including increasing inflationary pressures over the past two years, are incorporated into the MSRB’s budgeting process. When determining what resources are needed to operate, the MSRB considers the expected benefits to stakeholders, including investors, issuers and the public interest, in promoting a fair and efficient municipal securities market, as well as the level of regulated entity assessments necessary to fund these activities, including the value provided to and the resulting burden on regulated entities.

Financial Transparency

The MSRB meets the highest standards for financial transparency. In addition to publicly publishing its annual budget for the past seven years, the MSRB makes the following financial information publicly available on its website:

<u>Annual Report and Audited Financial Statements</u>	<u>Sources and Uses of Funding</u>	<u>MSRB Assessments and Fees</u>	<u>Funding Policy</u>	<u>Fine-Sharing Policy</u>	<u>Investment Policy</u>
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Reserves Philosophy

The MSRB maintains organizational reserves to ensure it has appropriate financial resources to support strategic goals and objectives, respond to regulatory mandates and pursue opportunities to deliver value to market participants; to enable the organization to be fiscally prepared regardless of economic conditions; to provide the MSRB with the requisite level of liquidity to fund ongoing operations; and to ensure the long-term financial sustainability of the organization. The Board establishes the target reserves level by conducting a detailed and comprehensive analysis of the liquidity needs in four categories intended to align with the Board’s funding policy objectives: working capital, risk reserves, strategic investment reserves and regulatory reserves. The Board reviews and refreshes the target reserves level each year as part of the annual budget process to respond to the organization’s changing risks and needs.

Working capital and risk reserves reflect liquidity needs related to managing day-to-day operations and responding to unexpected events. Together, these two categories equate to the organization’s operating reserves target, designed as an operational risk contingency reserve that represents less than half of the MSRB’s annual expense budget. Strategic investment and regulatory reserves reflect liquidity needs to fund major long-term initiatives and related capital investments beyond the scope of the annual operating budget, as well as unfunded mandates or regulatory and technology initiatives that may reasonably arise. A portion of these funds are currently designated and being spent for the organization’s multi-year systems modernization initiative.

Financial Stewardship through Effective Oversight

The Board approves the MSRB’s annual budget. In addition, the Finance Committee of the Board enhances the organization’s financial stewardship by assisting the Board in fulfilling its oversight responsibilities related to monitoring financial performance and the budget process. Both the Board and Finance Committee comprise representatives knowledgeable about the municipal securities market, including public representatives and regulated representatives who provide insight on the potential value to stakeholders from MSRB activities and the potential burdens on regulated entities created by MSRB fees. For FY 2024, as in FY 2023, the Finance Committee is chaired by a regulated representative.

The Finance Committee in recent years has focused significant time and effort on monitoring the organization’s overall expense trends and strategies, including focusing on key expense areas related to staff compensation and technology expenses.

II. FY 2024 Annual Budget

To enhance transparency around the relationship between the revenues needed to fund the annual budget expenses, the FY 2024 annual budget is presented to more directly reflect anticipated cash expenditures during the fiscal year, both operating and capital uses, for which revenue will be needed, and to align with the basis on which the annual rate card is calculated.

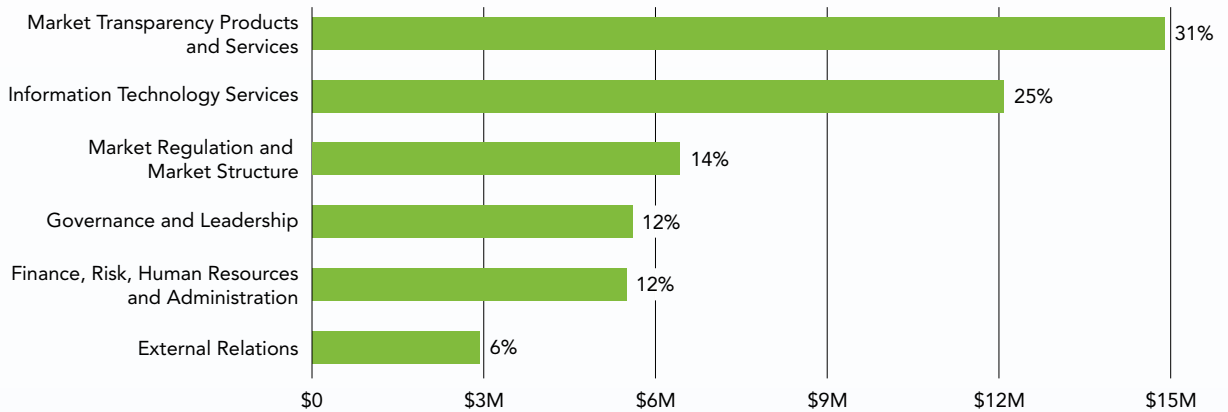
	FY 2024 Budget	FY 2023 Budget
Operating Expenses*	\$44,075,000	\$41,770,000
Capital Expenditures	3,317,000	3,443,000
Total Annual Budget Expenses	\$47,392,000	\$45,213,000
Rate Card Fee Revenue	\$40,482,000	\$38,470,000
Other Revenue	6,868,000	6,694,000
Total Annual Budget Revenues	\$47,350,000	\$45,164,000
Systems Modernization Initiative (Funded from Board Designated Systems Modernization Fund)	\$4,294,000	\$5,355,000

* Operating expenses exclude material non-cash expenses, including depreciation, and differ from U.S. generally accepted accounting principles (U.S. GAAP).

III. Expense Summary

Expenses by Activity	FY 2024 Budget
Market Transparency Products and Services	\$14,884,000
Information Technology Services	12,083,000
Market Regulation and Market Structure	6,426,000
Governance and Leadership	5,591,000
Finance, Risk, Human Resources and Administration	5,488,000
External Relations	2,920,000
Total Annual Budget Expenses	\$47,392,000

FY 2024 BUDGETED EXPENSES BY ACTIVITY



MSRB Organizational Structure

Market Regulation

The Market Regulation department works to maintain a prudent and practical regulatory framework for the municipal securities market through rulemaking, regulatory coordination and enforcement support, and professional qualifications of municipal market professionals.

Market Structure

The Market Structure department provides research, economic analysis and expertise to inform the MSRB’s regulatory initiatives and to assist market participants, policymakers and the general public in developing a deeper understanding of the municipal securities market.

Market Transparency Products and Services

The Market Transparency Products and Services department focuses on the development of products and services designed to enhance the EMMA user experience and the value of municipal market data for all market participants, and promote market intelligence, transparency, and efficiency.

Information Technology Services

The Information Technology Services department focuses on the operation, maintenance and enhancement of the MSRB's technology platform and cloud infrastructure, ensuring secure, cost-effective and resilient systems for both the market and MSRB staff.

Governance and Leadership

The Board of Directors, in partnership with an executive team led by the MSRB's CEO and supported by the Office of General Counsel, is responsible for the overall management and governance of the MSRB.

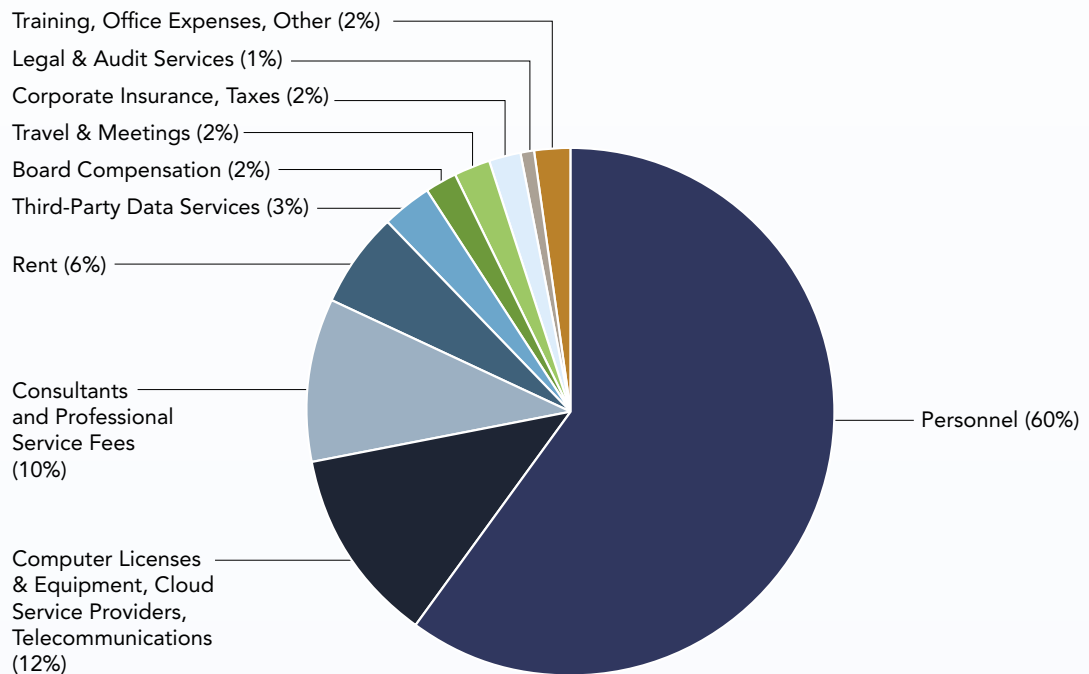
Finance, Risk, Human Resources and Administration

The Finance, Risk, Human Resources and Administration departments provide essential internal services, including finance, accounting and budget, effective internal controls and risk management, staff recruitment and professional development, and a healthy work environment for MSRB staff.

External Relations

The External Relations department builds the bridges that connect the MSRB with its diverse community of stakeholders through corporate communications, government relations, stakeholder engagement and education.

FY 2024 BUDGETED EXPENSES BY CATEGORY



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IV. Spotlight on Market Transparency and Technology Expenses

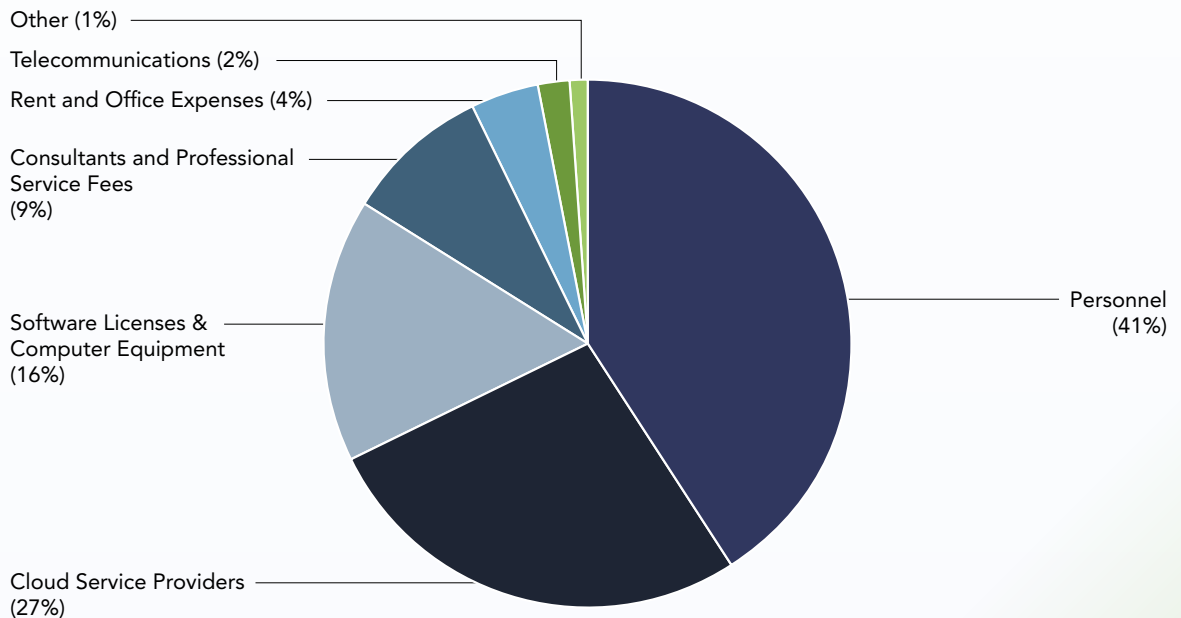
Market transparency and technology are fundamental to the MSRB’s mission and its strategic goals. Because the mission critical activities of developing and operating market transparency products and services are significant expense drivers for the MSRB, this year’s budget provides even greater transparency around how the related expenses are allocated between operating secure and reliable technology systems and developing market transparency products and services.

Information Technology Services

The security, availability and resilience of the EMMA website, which serves as the official source for municipal securities data and disclosure documents, along with its supporting systems and underlying technology infrastructure, is critical to an efficient and effective market. Expenses in Information Technology Services represent those required to keep these systems operating 24/7 to support trade reporting and disclosure along with rulemaking, economic analysis, market research and other core work of the MSRB.

In addition to staff focused on cybersecurity, IT infrastructure and technology operations, key budget allocations include the expenses for cloud computing resources provided by third-party cloud service providers along with software licenses and computer equipment.

FY 2024 INFORMATION TECHNOLOGY SERVICES BUDGET ALLOCATION (\$12.1M)

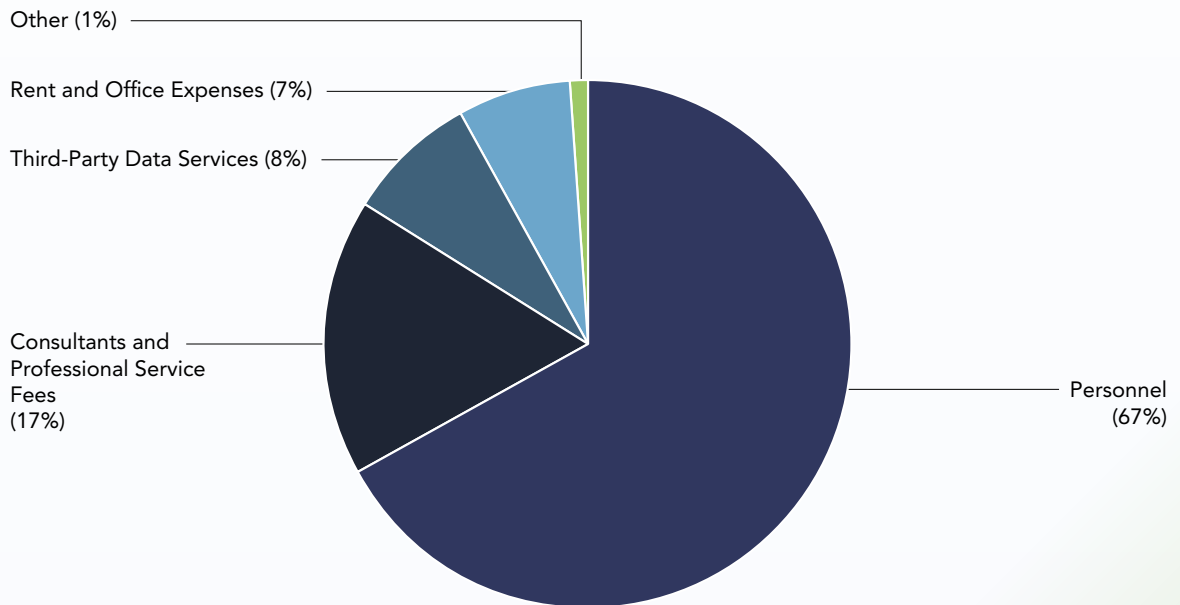


Market Transparency Products and Services

The primary focus of the Market Transparency Products and Services department is meeting the data needs of market participants and the general public. This is achieved by creating the next generation of market transparency products and services that will enhance the user experience and leverage the full capabilities of enterprise cloud technology. Most of the expenses budgeted in this area are allocated towards people, including staff and consultants, developing and enhancing market transparency products and services, and interfacing with stakeholders to provide operations support. Under U.S. GAAP, much of the cost of this work is capitalized with expense recognized as amortization over multiple years on the MSRB's financial statements. The FY 2024 annual budget instead reflects the anticipated cash expenditure for these capitalized expenses to better represent the relationship between the expense and revenue budgets and more transparently communicate the MSRB's cash funding needs for the annual rate card calculation.

In addition, the resources funded by the annual budget are currently being augmented by a Board designation of organizational reserves to fund a multi-year initiative to fully modernize EMMA. In July 2023, the Board of Directors designated an additional \$3.5 million of reserves to the Board Designated Systems Modernization Fund, bringing the total funding for this initiative to \$21 million, including an estimated spend of \$4.3 million anticipated in FY 2024. The systems modernization initiative is being fully funded by MSRB's existing reserves without any new fees being assessed on regulated entities. Funding for systems modernization is not being incorporated into the rates set by the annual rate card process for 2024, nor is any excess revenue the MSRB assessed from rate card fees above FY 2023 budget levels being used to fund the systems modernization initiative.

FY 2024 MARKET TRANSPARENCY PRODUCTS AND SERVICES BUDGET ALLOCATION (\$14.9M)



V. Revenue Summary

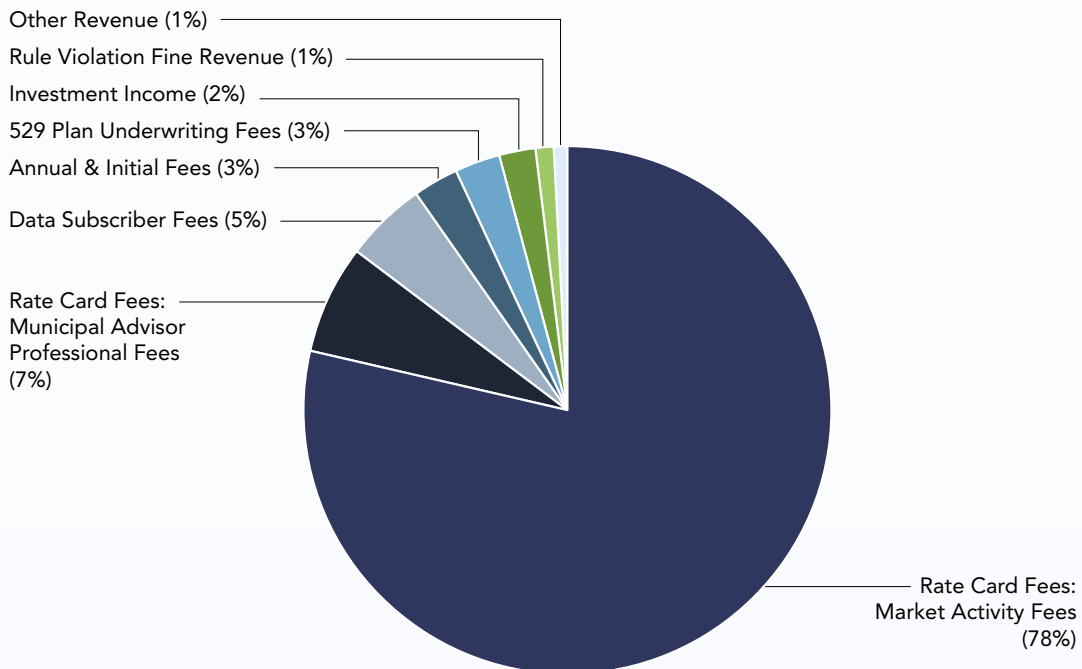
The MSRB’s revenues are generated primarily from fees assessed on regulated entities. Under its Funding Policy, the MSRB strives to diversify funding sources among regulated entities and other entities that fund MSRB services in a manner that ensures long-term sustainability, seeking to achieve an equitable balance among regulated entities and a fair allocation of the costs of systems and services among other users and regulated entities to the extent allowed by law.

Annual Budget Revenues	FY 2024 Budget
Rate Card Fees: Market Activity Fees*	\$37,243,440
Rate Card Fees: Municipal Advisor Professional Fees**	3,238,560
Data Subscriber Fees	2,300,000
Annual & Initial Fees	1,400,000
529 Plan Underwriting Fees	1,333,000
Investment Income	995,000
Rule Violation Fine Revenue	500,000
Other Revenue	340,000
Total Annual Budget Revenues	\$47,350,000

* Includes Underwriting, Transaction and Trade Count Fees; Preliminary pending finalization of 2024 rate card, including adjustments for FY 2023 revenue variances vs budget

** Preliminary pending finalization of 2024 rate card, including adjustments for FY 2023 revenue variances vs budget

FY 2024 BUDGETED REVENUE



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VI. Spotlight on the New Rate Setting Process

The MSRB’s [newly implemented approach to rate setting](#) for its key revenue sources allows the organization to more effectively and efficiently manage its funding and reserves levels needed to fulfill its statutory mandate. Specifically, this process eliminates the potential for significant over-accumulation of revenue and reserves through timely rate adjustments, mitigating the impact of market volatility on revenue while assuring sufficient funding of the MSRB’s annual budget. Importantly, under this annual fee setting process, fees will be subject to certain maximum caps on increases from year-to-year, but there are no limits on potential fee decreases.

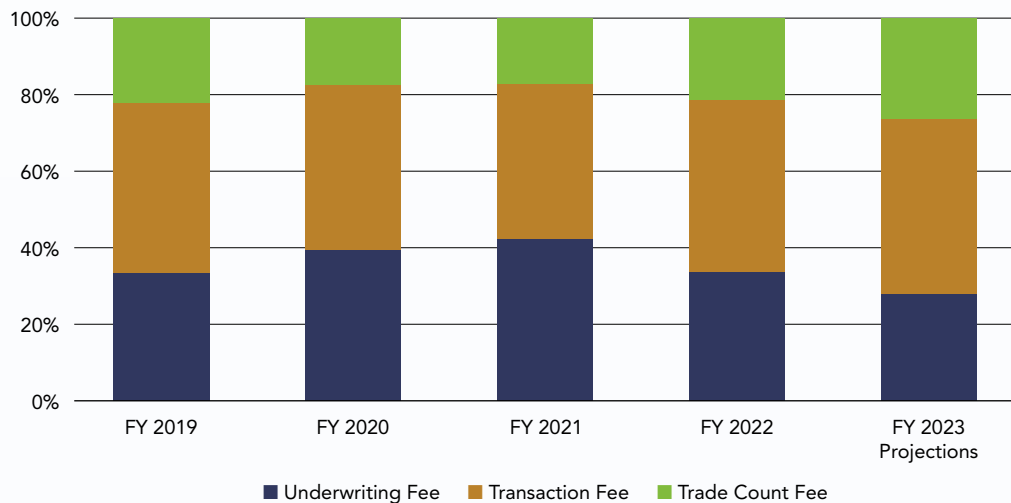
The process is illustrated in the following graphic:



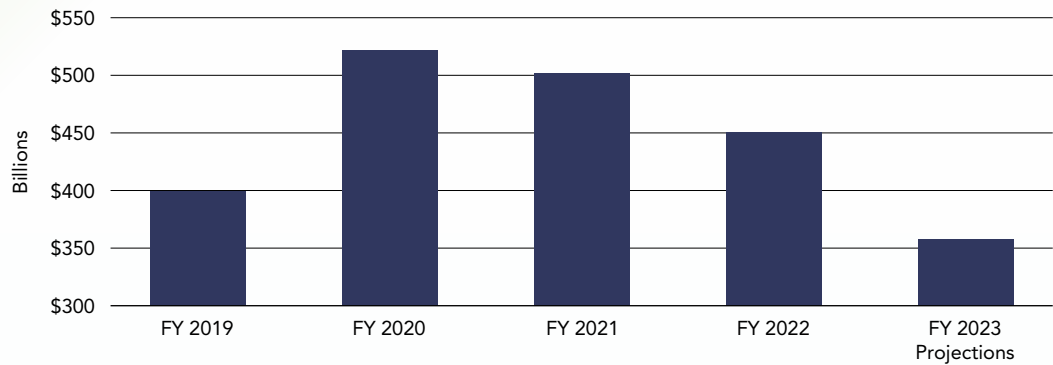
The MSRB made this change in direct response to stakeholder feedback and concerns that the MSRB should not assess fees higher than what it needs to operate and that the MSRB should create a durable solution to the historical growth of its reserves level beyond intended targets. The annual rate card process is intended to establish a fee framework that is transparent and formulaic in its functioning and execution. It is also intended to retain the MSRB’s ability to react to changing circumstances when establishing reasonable fees on regulated entities necessary and appropriate to fund the operation and administration of the MSRB in a manner consistent with requirements of the Exchange Act.

An important enhancement to the MSRB’s funding model provided by the annual rate card process is a mechanism to react to the volatility in revenue created by fees whose assessments are based on market activity volumes. Dealers pay the MSRB an underwriting fee for municipal securities purchased from an issuer as part of a primary offering. Dealers also pay the MSRB a transaction fee based on the par value of municipal securities sales and a per-transaction trade count fee. The charts below show five years of historical market activity revenue, including the distribution between the three market activity fees over time and the volatility in underlying market activity volume from year to year. Notable is a change in the direction of the trend of underwriting fees relative to trading activity fees, particularly trade count fees, between fiscal years 2019 through 2021 and fiscal years 2022 and 2023.

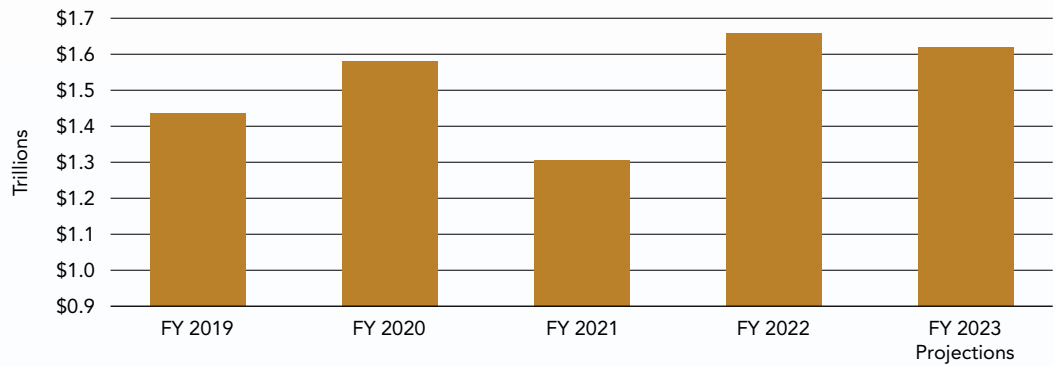
HISTORICAL MARKET ACTIVITY REVENUE DISTRIBUTIONS



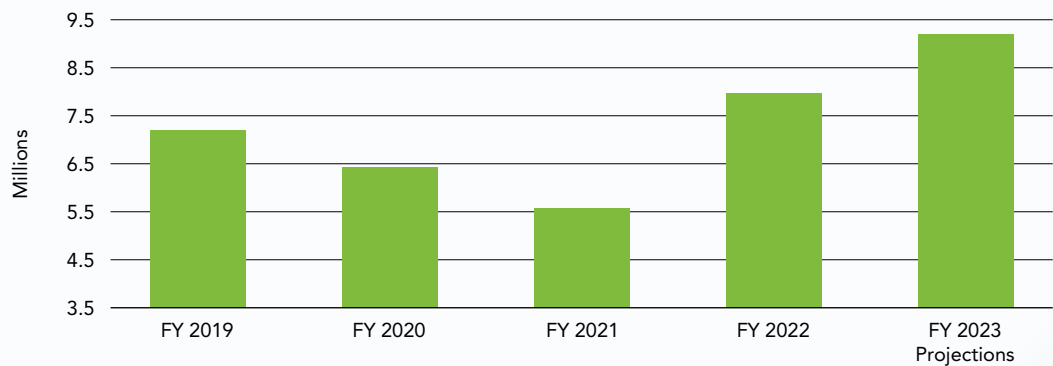
BOND VOLUME (UNDERWRITING FEE)



TRADE PAR (TRANSACTION FEE)

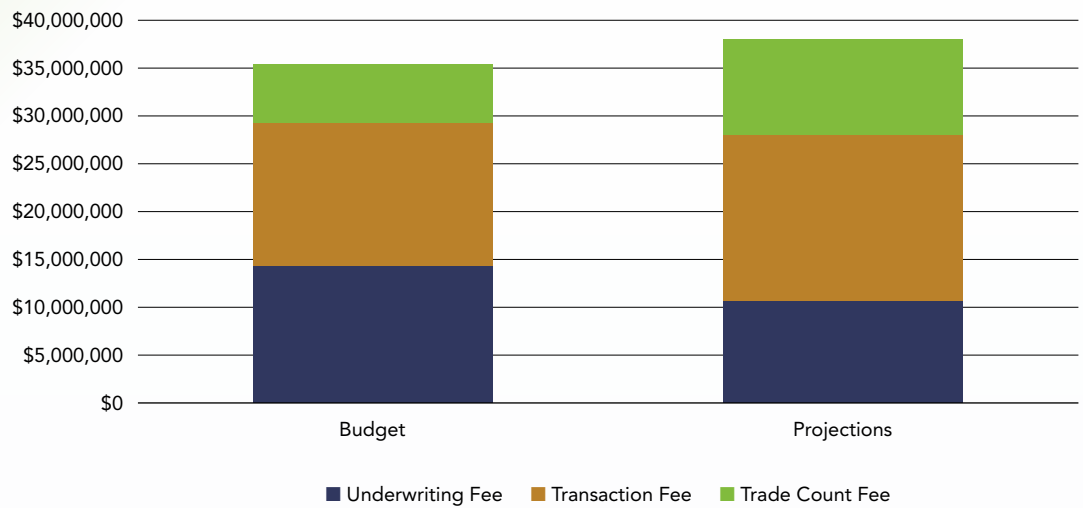


NUMBER OF TRADES (TRADE COUNT FEE)



Rate card fee rates are set based on the total amount of revenue the fee is expected to contribute and the expected volume of activity underlying the fee. The amount of revenue each fee contributes is designed to be a fair and equitable balance, in line with recent historical precedents. The following chart reflects the budgeted revenue for each of the three market activity fees in FY 2023 along with the preliminary projections for actual revenue collected.

FY 2023 MARKET ACTIVITY FEE REVENUE

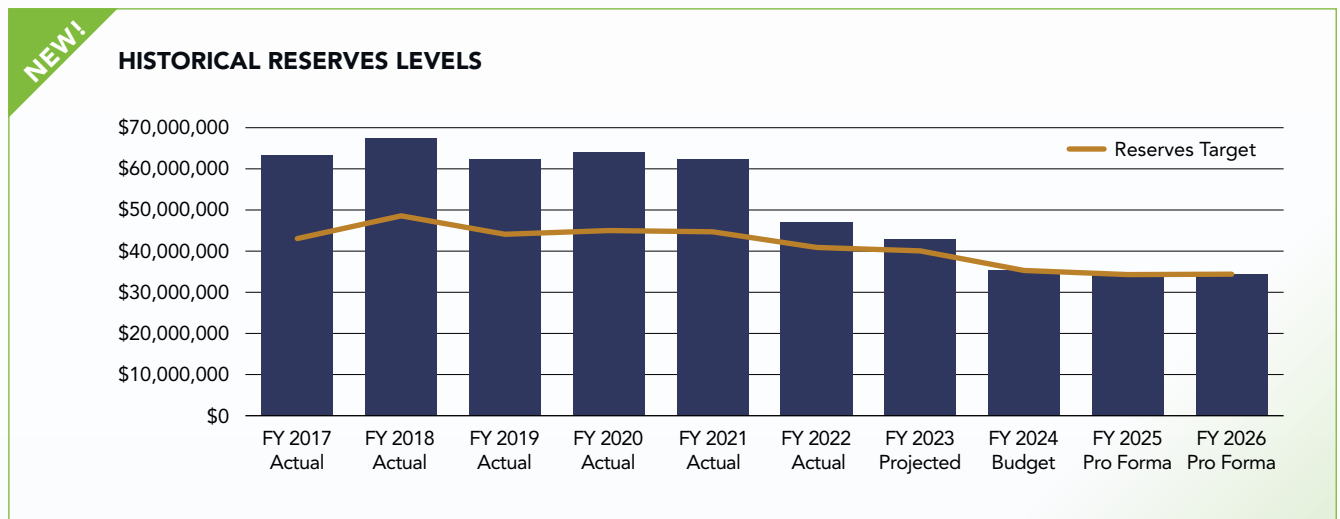


At the time of writing this report, the MSRB is projecting that total revenue from market activity fees assessed in FY 2023 will be approximately \$3 million over budget. Under the annual rate card process, rather than holding this excess revenue (i.e., surplus) in its reserves, the MSRB will return this revenue to dealers by incorporating the surplus into its calculations for 2024 rates. The MSRB projects that Underwriting Fees will **increase** to reflect less revenue assessed in FY 2023 relative to budget, and that Transaction and Trade Count fees will **decrease** to reflect more revenue assessed in FY 2023 relative to budget to return the surplus to regulated entities. The next annual rate card is expected to become operative on January 1, 2024, with rates communicated in the fourth quarter of calendar year 2023 once the annual rate card process has been completed.

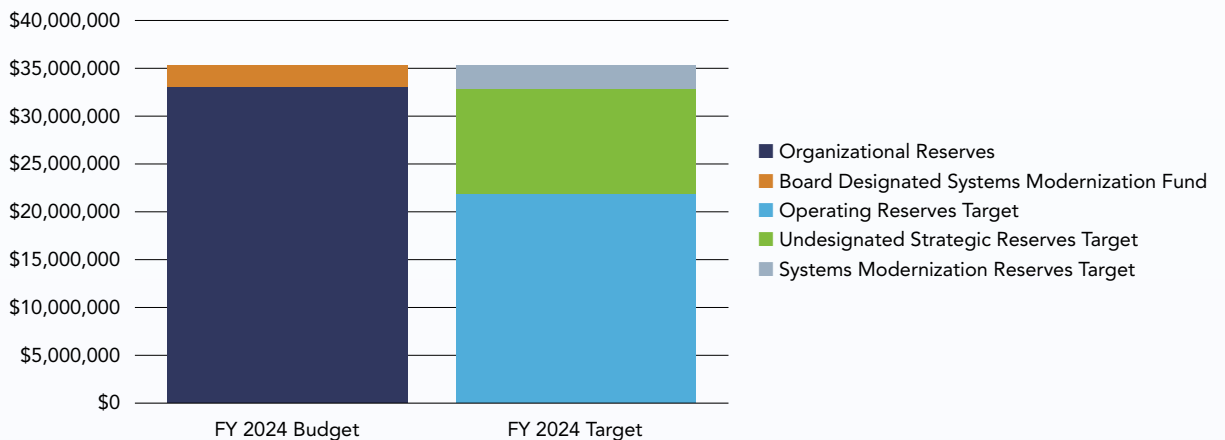
VII. Reserves

The MSRB made significant changes in recent years to the targeted level of reserves the organization aims to maintain and to its approach to managing actual reserves balances at those target levels. The MSRB’s strategy for maintaining its organizational reserves is a key element of its overall funding philosophy.

The first chart below presents ten years of historical and projected reserves levels along with the MSRB’s reserves target over time. The MSRB is on a path to cut its reserves levels by nearly 50% from their high point in FY 2018. The annual rate card process allows the MSRB to manage reserves more effectively and avoid the buildup of excess reserves above target. This is in direct response to feedback from MSRB stakeholders that pay MSRB fees. Additionally, the MSRB reduced its target for reserves by more than 25% as it continues to make significant investments in modernizing and bolstering MSRB market transparency data, services and technologies.



FY 2024 ORGANIZATIONAL RESERVES VS. TARGET*



*Presents the breakdown of the components of the reserves target for FY 2024

ABOUT THE MSRB

The Municipal Securities Rulemaking Board (MSRB) protects and strengthens the municipal bond market, enabling access to capital, economic growth, and societal progress in tens of thousands of communities across the country. The MSRB fulfills this mission by creating trust in our market through informed regulation of dealers and municipal advisors that protects investors, issuers and the public interest; building technology systems that power our market and provide transparency for issuers, institutions, and the investing public; and serving as the steward of market data that empowers better decisions and fuels innovation for the future. The MSRB is a self-regulatory organization governed by a board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is overseen by the Securities and Exchange Commission and Congress.



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