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Administration

Affected Rules

[Rule A-11](#)

MSRB to Implement New MSRB Rule A-11 Establishing Fees for Municipal Advisor Professionals

Overview

The Municipal Securities Rulemaking Board (MSRB) is implementing an annual fee of \$300 per municipal advisor professional to be paid by registered municipal advisors. On April 17, 2014, the MSRB filed with the Securities and Exchange Commission (SEC) a rule change to adopt new MSRB Rule A-11, on assessments for municipal advisor professionals.¹ Under the new rule, municipal advisors will be assessed an annual professional fee to help defray the costs and expenses of operating and administering the MSRB, particularly the increased costs associated with the regulation of municipal advisors. Rule A-11 assesses on each municipal advisor an annual fee of \$300 for each Form MA-I on file with the SEC in the relevant year. The rule also assesses appropriate late fees for untimely payments and a transitional professional fee to take account of the SEC's phased-in compliance period for the permanent registration of municipal advisors.²

In the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act),³ Congress charged the SEC and MSRB with the regulation of municipal advisors. The Dodd-Frank Act specifically amended the Securities Exchange Act of 1934 (Exchange Act) to grant the MSRB authority to charge municipal advisors reasonable fees to defray the costs of the operation of the MSRB.⁴ Following the SEC's adoption in September 2013 of a definition of "municipal advisor,"⁵ the MSRB established priorities for the

¹ See [File No. SR-MSRB-2014-03 \(Apr. 17, 2014\)](#).

² See 17 CFR 240.15Ba1-2(b) (setting forth requirements to file Form MA-I with the SEC).

³ Pub. Law No. 111-203, 124 Stat. 1376 (2010).

⁴ See 15 U.S.C. 78o-4(b)(2)(J).

⁵ See Exchange Act Release No. 70462 (Sept. 20, 2013), 78 FR 67468 (Nov. 12, 2013).

development of a regulatory framework for municipal advisors. In February 2014, the MSRB announced its intention to assess an annual fee of \$300 per municipal advisor professional.⁶ The establishment of this professional fee is a step toward the MSRB's goal to provide for assessments that are fairly and equitably apportioned among all market participants subject to MSRB regulation.

The new rule is effective immediately. As explained in detail below, however, the first fees do not become due until the second half of 2014 in parallel with the SEC's phased-in compliance period for the permanent registration of municipal advisors.

Questions concerning this notice may be directed to Michael L. Post, Deputy General Counsel, or Darlene Brown, Assistant General Counsel, at 703-797-6600.

Summary of New Rule

Section (a) of new Rule A-11 establishes an annual municipal advisor professional fee. This section provides that, beginning with the MSRB's fiscal year 2015 (which begins October 1, 2014), each municipal advisor that is registered with the SEC will be required to pay a recurring annual fee of \$300 for each Form MA-I filed with the SEC as of January 31 in the relevant year by the municipal advisor.⁷ A \$300 fee will not be triggered by persons for whom the municipal advisor is not required by the SEC to file a Form MA-I, such as persons performing solely clerical, administrative, support or similar functions.⁸ Section (a) further provides that the professional fee is due by April 30 of each year and will be payable in the manner provided by the MSRB Registration Manual.

Section (b) of Rule A-11 provides for a late fee for any municipal advisor that fails to timely pay in full any professional fee due under section (a) or (c) of

⁶ See [Press Release, MSRB Holds Quarterly Meeting \(Feb. 4, 2014\)](#).

⁷ The annual professional fee is separate from the initial \$100 and annual \$500 registration fees the MSRB charges all registrants. See MSRB Rules A-12 and A-14. See also [MSRB Notice 2014-05 \(Feb. 27, 2014\)](#) (describing SEC-approved amendments to revise Rule A-12 and delete Rule A-14 for the purpose of consolidating MSRB registration requirements in Rule A-12, which will become effective on May 12, 2014).

⁸ See Exchange Act Release No. 70462, at p. 636 (Sept. 20, 2013), 78 FR 67468, 67655 (Nov. 12, 2013) (Glossary of Terms).

the rule. The total late fee equals \$25 monthly for each \$300 assessment not paid in full, plus a late fee on the total overdue balance based on the prime rate as provided for in the MSRB Registration Manual.

Section (c) of Rule A-11 provides for a transitional municipal advisor professional fee. This transitional fee takes account of the phased-in compliance period beginning in the second half of calendar year 2014 established by the SEC for the permanent registration of municipal advisors. The fee will not be charged to municipal advisors that are not registered, either temporarily or permanently, with the SEC by September 30, 2014 (the last day of the MSRB's fiscal year 2014). Rather, municipal advisors that register with the SEC after that date will be charged their first professional fee according to the terms of Rule A-11(a) described above.

Under Rule A-11(c), each municipal advisor registered, either temporarily or permanently, with the SEC on or before September 30, 2014, will be required to pay an assessment of \$300 for each Form MA-I filed with the SEC by the municipal advisor in connection with its permanent registration. This assessment is due 10 business days after the acceptance of the municipal advisor's permanent registration by the SEC. The transitional fee will be payable in the manner provided by the MSRB Registration Manual.

Owing to the timing of the SEC's permanent registration compliance period, some municipal advisors will not pay this transitional fee until after the start of the MSRB's 2015 fiscal year. Although these municipal advisors will owe two assessments during the same MSRB fiscal year, this timing of the transitional fee minimizes the administrative burden on municipal advisors by using the filing of Forms MA-I as the basis of the fee, rather than requiring an additional submission, analysis and categorization of professionals. Municipal advisors paying this transitional fee will then pay their first annual professional fee by April 30, 2015, according to Rule A-11(a).

The MSRB is sensitive to the burdens imposed by MSRB rules on small municipal advisors. Accordingly, the MSRB has designed the professional fee assessed on each municipal advisor as a direct function of the number of Forms MA-I that the municipal advisor files with the SEC, which will result in relatively lower assessments for small municipal advisors.

April 17, 2014

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Text of Rule⁹

Rule A-11: Assessments for Municipal Advisor Professionals

(a) *Annual Municipal Advisor Professional Fee.* Each municipal advisor that is registered with the Commission shall pay to the Board a recurring annual fee beginning with the Board's fiscal year 2015 (which begins October 1, 2014), equal to \$300 for each Form MA-I filed with the Commission by such municipal advisor as of January 31 of each year. The annual professional fee shall be due by April 30 and shall be payable in the manner provided by the MSRB Registration Manual.

(b) *Late Fees.* Any municipal advisor that fails timely to pay in full a professional fee due under section (a) or (c) of this rule shall pay a monthly late fee equal to twenty-five dollars for each \$300 assessment not paid in full, and a late fee on the total overdue balance based on the Prime Rate as provided for in the MSRB Registration Manual, until paid.

(c) *Transitional Municipal Advisor Professional Fee.* Assessments for each municipal advisor registered either temporarily or permanently with the Commission on or before September 30, 2014, shall be due ten business days after the acceptance of its permanent registration by the Commission, and in an amount equal to \$300 for each Form MA-I filed with the Commission by such municipal advisor. The transitional professional fee shall be payable in the manner provided by the MSRB Registration Manual.

⁹ Underlining indicates new language; strikethrough denotes deletions.