

2022-03

Publication Date

June 2, 2022

Stakeholders

Municipal Securities
Dealers and Municipal
Advisors

Notice Type

Informational Notice

Effective Date

June 2, 2022

Operative Date

October 1, 2022

Category

Administration

Affected Rules

[Rule A-11](#), [Rule A-12](#), [Rule A-13](#)

MSRB Amends Certain Fees for Dealers and Municipal Advisors and Proposes an Annual Rate Card Process

Overview

In support of its focus on financial stewardship, the Municipal Securities Rulemaking Board (MSRB or the Board) has evaluated its reserve levels, implemented an 18-month reduction of certain fees to return excess reserves to the industry, and conducted a full review of its fee structure that included extensive engagement and outreach with stakeholders.

Consistent with these efforts, today, June 2, 2022, the MSRB filed a proposed rule change with the Securities and Exchange Commission (SEC) to modify the rates of assessment for (i) the municipal advisor professional fee described in MSRB Rule A-11, on assessments for municipal advisors, and (ii) the underwriting fee, transaction fee, and trade count fee¹ described in MSRB Rule A-13, on underwriting and transaction assessments for brokers, dealers and municipal securities dealers (collectively, such fees being the “Market Activity Fees” and with the municipal advisor professional fee, the “Rate Card Fees”).²

In addition to amending the rates of assessment for the Rate Card Fees, the proposed rule change also provides transparency regarding the framework for how the Board intends to incrementally adjust the rates of assessment for the Rate Card Fees each year going forward, through an “Annual Rate Card Process.” Lastly, the proposed rule change also provides certain technical amendments to enhance the clarity in the application of MSRB Rules A-11, A-12, and A-13, consistent with the Board’s ongoing retrospective review efforts.

¹ Currently, the technology fee, but would be renamed under the technical amendments of the proposed rule change.

² File No. SR-MSRB-2022-03.



Receive emails about
MSRB Notices.

Under the proposed rule change, the following Rate Card Fees would become operative as of October 1, 2022 and are currently anticipated to remain operative for 15 months through December 31, 2023.

Fee Type	Basis	Proposed Rates
Underwriting Fee	Per \$1,000 Par Underwritten	\$0.0297
Transaction Fee	Per \$1,000 Par Transacted	\$0.0107
Trade Count Fee	Per Trade	\$1.10
Municipal Advisor Professional Fee	Per Covered Professional	\$1,060

Following the initial 15-month operative period for these Rate Card Fees, subsequent Annual Rate Cards will be determined in accordance with the Annual Rate Card Process and operative for 12-month periods beginning on January 1st of a given year. The MSRB will file its amendments to the Annual Rate Cards with the SEC. The next Annual Rate Card is expected to become operative on January 1, 2024, with amended rates currently anticipated to be filed and communicated in the fourth quarter of calendar year 2023.

The proposed rule change's increased fees will help defray the cost of operating the MSRB. By incrementally increasing the fee contribution of regulated entities through these Rate Card Fees and the Annual Rate Card Process, the MSRB will advance its goal of developing a sustainable financial model that enables the MSRB to year-over-year fulfill its statutory mandate and meet the unique responsibilities of being the self-regulatory organization for the municipal securities market.

Questions about this notice may be directed to David Hodapp, Director, Market Regulation and Omer Ahmed, Chief Financial Officer, at 202-838-1500.

June 2, 2022

* * * * *

Text of Amendments*

Rule A-11: Assessments for Municipal Advisor Professionals

(a) Definition of "Covered Professional." For purposes of this rule, the term "covered professional" shall mean a person associated with a municipal advisor who is qualified as a municipal advisor representative

* Underlining indicates new language; strikethrough denotes deletions.

in accordance with Rule G-3 and for whom the municipal advisor has on file with the Commission an active Form MA-I as of January 31 of each year.

~~(b)~~ Annual Municipal Advisor Professional Fee. ~~(i)~~ Each municipal advisor that is registered with the Commission shall pay to the Board a recurring annual fee equal to ~~\$1,000~~ the amount set forth in the Annual Rate Card as noted in Supplementary Material .01 for each covered professional person associated with the municipal advisor who is qualified as a municipal advisor representative in accordance with Rule G-3 and for whom the municipal advisor has on file with the Commission a Form MA-I as of January 31 of each year. The annual professional fee shall be due by April 30 each year in the manner provided by the MSRB Registration Manual.

~~(ii) Annual Professional Fee Due for MSRB Fiscal Year 2020. Notwithstanding subsection (a)(i) above, each municipal advisor that is registered with the Commission in MSRB Fiscal Year 2020 (October 1, 2019 to September 30, 2020) shall pay to the Board an annual fee equal to \$750 for each person associated with the municipal advisor who is qualified as a municipal advisor representative in accordance with Rule G-3 and for whom the municipal advisor has on file with the Commission a Form MA-I as of January 31, 2020. This annual professional fee shall be due by April 30, 2020 in the manner provided by the MSRB Registration Manual.~~

~~(b)~~ (c) Late Fees. Any municipal advisor that fails timely to pay in full the total professional fee due under section ~~(a)~~ (b) of this rule shall pay a monthly late fee equal to twenty-five dollars for such failure, and a late fee on the total overdue balance based on the Prime Rate ~~as provided for in the MSRB Registration Manual,~~ until paid.

Supplementary Material

.01 Annual Rate Card Fee. Pursuant to Section (b) above, each municipal advisor that is registered with the Commission shall pay to the Board a fee in the amount of \$1,060 for each covered professional as of January 31, 2023. The subsequent amendment of this Annual Rate Card Fee will be determined through the Board's Annual Rate Card Process. As further described in the Board's Funding Policy, the Annual Rate Card Process includes, when applicable, (i) a Maximum Cap on Targeted Revenue that generally caps a year-over-year increase in the total targeted revenue for a Rate Card Fee at 10% and (ii) a Maximum Cap on Assessment Rate Increases that generally caps the maximum year-over-year increase in the assessment rate for a Rate Card Fee at 25%. The Board's Funding Policy may be accessed at msrb.org.

~~Temporary Suspension of Late Fees. Notwithstanding the late fees specified in section (b) of this rule, no late fees will be assessed on municipal advisors that fail to timely pay the annual professional fee due under section (a) of this rule for the period of March 1, 2020 through July 31, 2020. Beginning on August 1, 2020, unpaid balances on any annual municipal advisor professional fees assessed under section (a) will become subject to late fees as specified in section (b) for the period beginning August 1, 2020 until such time as the balance is paid.~~

.02 Calculation of the Prime Rate for Purposes of an Overdue Balance. In accordance with subsection (c) of this Rule A-11 regarding the imposition and calculation of late fees, the Prime Rate is the annual rate of the

commercial prime rate of interest as last published in The Wall Street Journal prior to the date such charge is computed.

Rule A-12: Registration

(a) – (c) No change.

(d) Late Fees. Any broker, dealer, municipal securities dealer or municipal advisor that fails to pay any fee assessed under this rule ~~or Rule A-13~~ within 30 days of the invoice date shall pay a monthly late fee of \$25 and a late fee on the overdue balance, computed according to the Prime Rate, ~~as provided for in the MSRB Registration Manual,~~ until paid.

(e) – (l) No change.

Supplementary Material

.01 Calculation of the Prime Rate for Purposes of an Overdue Balance. In accordance with subsection (d) of this Rule A-12 regarding the imposition and calculation of late fees, the Prime Rate is the annual rate of the commercial prime rate of interest as last published in The Wall Street Journal prior to the date such charge is computed.

~~Temporary Suspension of Late Fees. Notwithstanding the late fees specified in section (d) of this rule, no late fees will be assessed on any broker, dealer, municipal securities dealer or municipal advisor that has unpaid balances on any fee assessed under this rule or Rule A-13 for the period of March 1, 2020 through July 31, 2020. Beginning on August 1, 2020, any unpaid balances on any fees assessed under this rule or Rule A-13 that are more than 30 days past the invoice date are subject to late fees as specified in section (d) for the period beginning August 1, 2020 until such time as the balance is paid.~~

Rule A-13: Underwriting and Transaction Assessments for Brokers, Dealers and Municipal Securities Dealers

(a) Definition of “Primary Offering.” For purposes of this rule, the term “primary offering” shall be applied consistent with its definition under Securities Exchange Rule 15c2-12(f)(7) and Rule G-32(c)(viii) to include any offering of municipal securities directly or indirectly by or on behalf of an issuer of municipal securities; provided that, for purposes of Rule A-13, the term “primary offering” shall not include any such remarketing of municipal securities, but shall include such circumstances where a broker, dealer, or municipal securities dealer acts as an agent for an issuer to arrange the placement of a new issue of municipal securities.

~~(a)~~ (b) Underwriting Assessments – General Scope. Each broker, dealer and municipal securities dealer shall pay to the Board an underwriting fee as set forth in subsection (c)(i) the Annual Rate Card as noted in Supplementary Material .01 for all municipal securities purchased from an issuer by or through such broker, dealer or municipal securities dealer, whether acting as principal or agent, as part of a primary

offerings; provided that the fee under this section shall not apply to a primary offering of securities if all such securities in the primary offering:

- (i) are commercial paper as defined in MSRB Rule G-32(d); or
- (ii) constitute municipal fund securities.

If a syndicate or similar account has been formed for the purchase of the securities, the underwriting fee shall be paid by the managing underwriter on behalf of each participant in the syndicate or similar account.

~~(b)~~ (c) Underwriting Assessments - Certain Municipal Fund Securities. Each underwriter of a primary offering of a plan, as the terms “underwriter” and “plan” are defined under Rule G-45(d)(xiv) and Rule G-45(d)(ix), respectively, shall pay to the Board an underwriting fee ~~as set forth in subsection (c)(ii) of .0005% (\$.005 per \$1,000) of the total aggregate assets for the reporting period ending December 31 each year of a municipal fund, as required to be reported on MSRB Form G-45.~~ For the purposes of this section, if multiple underwriters of the primary offering of a plan are identified on MSRB Form G-45, the term “underwriter” shall be limited to the underwriter identified as the primary distributor in the official statement for the primary offering submitted under MSRB Rule G-32 as of December 31 of the relevant year.

~~(c) Underwriting Assessments—Amounts.~~

~~—(i) For those primary offerings subject to assessment under section (a) above, the amount of the underwriting fee is .00275% (\$.0275 per \$1,000) of the par value.~~

~~—(ii) For those primary offerings subject to assessment under section (b) above, the amount of the underwriting fee is .0005% (\$.005 per \$1,000) of the total aggregate assets for the reporting period ending December 31 each year, as required to be reported on MSRB Form G-45.~~

(d) Transaction and ~~Technology~~ Trade Count Assessments.

(i) Transaction Fee on Inter-Dealer Sales. Each broker, dealer and municipal securities dealer shall pay to the Board a fee equal to ~~.001% (\$.01 per \$1,000)~~ the amount specified in the Annual Rate Card as noted in Supplementary Material .01 of the total par value of inter-dealer municipal securities sales that it reports to the Board under Rule G-14(b), except as provided in subsection (iii) of this section (d). For those inter-dealer transactions reported to the Board by a broker, dealer or municipal securities dealer on behalf of another broker, dealer or municipal securities dealer, the inter-dealer transaction fee shall be paid by the broker, dealer or municipal securities dealer that reported the transaction to the Board. Such broker, dealer or municipal securities dealer may then collect the inter-dealer transaction fee from the broker, dealer or municipal securities dealer on whose behalf the transaction was reported.

(ii) Transaction Fee on Customer Sales. Each broker, dealer and municipal securities dealer shall pay to the Board a fee equal to ~~.001% (\$.01 per \$1,000)~~ the amount specified in the Annual Rate Card as noted in

Supplementary Material .01 of the total par value of sales to customers that it reports to the Board under Rule G-14(b), except as provided in subsection (iii) of this section (d). The customer transaction fee shall be paid by the broker, dealer or municipal securities dealer that effected the sale to the customer.

(iii) Transactions Not Subject to Transaction Fee. Transaction fees assessed pursuant to subsection (i) or (ii) of this section (d) are not assessed on transactions in municipal securities that:

(a) have a final stated maturity of nine months or less; or

(b) are issued pursuant to a commercial paper program; or

~~(c) at the time of trade, may be tendered at the option of the holder to an issuer of such securities or its designated agent for redemption or purchase at par value or more at least as frequently as every nine months until maturity, earlier redemption, or purchase by an issuer or its designated agent have interest rate reset information reported under Rule G-34(c) as a result of meeting the definition of a "variable rate demand obligation" under Rule G-34(e)(viii), as a security in which the interest rate resets on a periodic basis with a frequency of up to and including every nine months, where an investor has the option to put the issue back to the trustee, tender agent or other agent of the issuer or obligated person at any time, typically within a notification period, and a broker, dealer or municipal securities dealer acts as a remarketing agent responsible for reselling to new investors securities that have been tendered for purchase by a holder.~~

(iv) Technology Trade Count Fee.

(a) Technology Trade Count Fee on Inter-Dealer Sales. Each broker, dealer and municipal securities dealer shall pay to the Board a fee equal to ~~\$1.00~~ the amount specified in the Annual Rate Card as noted in Supplementary Material .01 per transaction for each inter-dealer municipal securities sale that it reports to the Board under Rule G-14(b). For those inter-dealer transactions reported to the Board by a broker, dealer or municipal securities dealer on behalf of another broker, dealer or municipal securities dealer, the technology trade count fee shall be paid by the broker, dealer or municipal securities dealer that reported the transaction to the Board. Such broker, dealer or municipal securities dealer may then collect the technology trade count fee from the broker, dealer or municipal securities dealer on whose behalf the transaction was reported.

(b) Technology Trade Count Fee on Customer Sales. Each broker, dealer and municipal securities dealer shall pay to the Board a fee equal to ~~\$1.00~~ the amount specified in the Annual Rate Card as noted in Supplementary Material .01 per transaction for sales to customers that it reports to the Board under Rule G-14(b). The technology trade count fee shall be paid by the broker, dealer or municipal securities dealer that effected the sale to the customer.

(e) Billing Procedure. For the assessments set forth in sections ~~(c)(i)~~ (b) and (d) the Board monthly will invoice brokers, dealers and municipal securities dealers for payment of underwriting assessments and transaction and technology trade count assessments. For the assessments set forth in section (c)~~(ii)~~, the Board annually will invoice the underwriter identified in section ~~(b)~~ (c) for the payment of underwriting

assessments for municipal fund securities. The underwriting assessments and transaction and ~~technology~~ trade count assessments must be paid within 30 days of the sending of the invoice by the Board.

(f) Prohibition on Charging Fees Required Under this Rule to Issuers. No broker, dealer or municipal securities dealer shall charge or otherwise pass through the fees required under this rule to an issuer of municipal securities.

~~(g) Late Fees. Any broker, dealer, or municipal securities dealer that fails to pay any fee assessed under this rule within 30 days of the invoice date shall pay a monthly late fee of \$25 and a late fee on the overdue balance, computed according to the Prime Rate until paid. Definition. The term “primary offering” shall have the meaning set forth in Rule G-32(d)(viii), provided that, for purposes of Rule A-13, the term “primary offering” shall not include any remarketing of municipal securities.~~

~~(h) Temporary Fee Reduction in the Fee Rates Assessed on Activity Occurring from April 1, 2021—September 30, 2022. Notwithstanding the rates specified elsewhere in this rule:~~

~~—(i) Underwriting Assessment. For activity that occurs from April 1, 2021 through and including September 30, 2022, the underwriting assessment described in (c)(i) above shall be .00165% (\$0.0165 per \$1,000) of the par value.~~

~~—(ii) Transaction Assessment. For activity that occurs from April 1, 2021 through and including September 30, 2022, the transaction assessment described in (d)(i) and (d)(ii) above shall be .0006% (\$0.006 per \$1,000) of the par value.~~

~~—(iii) Technology Assessment. For activity that occurs from April 1, 2021 through and including September 30, 2022, the technology assessment described in (d)(iv)(a) and (d)(iv)(b) above shall be \$0.60 per transaction.~~

Supplementary Material

.01 Annual Rate Card Fees. The following rates of assessment shall be effective as of October 1, 2022.

(i) Underwriting Assessment. The underwriting assessment described in (b) above shall be .00297% (\$0.0297 per \$1,000) of the par value.

(ii) Transaction Assessment. The transaction assessment described in (d)(i) and (d)(ii) above shall be .00107% (\$0.0107 per \$1,000) of the par value.

(iii) Trade Count Assessment. The trade count assessment described in (d)(iv)(a) and (d)(iv)(b) above shall be \$1.10 per transaction.

The subsequent amendment of these Annual Rate Card Fees will be determined through the Board’s Annual Rate Card Process. As further described in the Board’s Funding Policy, the Annual Rate Card Process includes, when applicable, (i) a Maximum Cap on Targeted Revenue that generally caps a year-

over-year increase in the total targeted revenue for a Rate Card Fee at 10% and (ii) a Maximum Cap on Assessment Rate Increases that generally caps the maximum year-over-year increase in the assessment rate for a Rate Card Fee at 25%. The Board's Funding Policy may be accessed at msrb.org.

~~Temporary Suspension of Certain Assessments. Assessments specified in sections (c)(i), (d)(ii) and (d)(iv)(b) of this rule will be waived by the Board if such assessments result from a transaction the dealer has with the Municipal Liquidity Facility established by the Federal Reserve Board of Governors.~~

.02 Calculation of the Prime Rate for Purposes of an Overdue Balance. In accordance with subsection (g) of this Rule A-13 regarding the imposition and calculation of late fees, the Prime Rate is the annual rate of the commercial prime rate of interest as last published in The Wall Street Journal prior to the date such charge is computed.