



Municipal Securities Rulemaking Board

# The Role and Jurisdiction of the MSRB

## Jurisdiction of the MSRB

The Municipal Securities Rulemaking Board (MSRB) was established by Congress in 1975 and charged with a mandate to protect municipal securities investors, municipal entities, obligated persons and the public interest.<sup>1</sup> As a self-regulatory organization, the MSRB is governed by a Board of Directors with deep expertise in municipal securities markets. The Board has a majority of public members in addition to representatives of regulated entities.

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Congress initially authorized the MSRB to regulate the activities of broker-dealers and banks that buy, sell and underwrite municipal securities (collectively, “dealers”). Congress expanded the MSRB’s authority in 2010 to include the regulation of municipal advisors — the firms (and their financial professionals) that provide advice to state and local governments and other municipal entities about the issuance of bonds and municipal financial products. Importantly, the MSRB is not authorized to regulate municipal entities, including state and local government issuers of municipal securities. The MSRB is overseen by Congress and the Securities and Exchange Commission (SEC), and MSRB rules generally must be approved by the SEC before becoming effective.

The MSRB safeguards the nearly \$4 trillion municipal securities market that helps provide reliable income for investors and efficient capital for communities. In support of its mission, the MSRB:

- Prevents fraud and manipulation, and promotes fair dealing by establishing **rules for municipal securities dealers and municipal advisors**;
- Supports equal access to information and **market transparency** through its Electronic Municipal Market Access (EMMA®) website, the official source for municipal securities data and disclosure documents; and
- Improves market understanding with **educational resources** for market stakeholders and objective market analysis.

While the MSRB is the principal regulator of the municipal securities market, the MSRB does not carry out the enforcement of its rules or conduct compliance examinations. The MSRB instead provides support to the Financial Industry Regulatory Authority (FINRA), the SEC and federal bank regulators that share responsibility for enforcement and compliance examinations. The MSRB also communicates with the Internal Revenue Service, which enforces tax laws related to municipal securities.

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<sup>1</sup> See Securities Exchange Act of 1934 Section 15B

## Role of the MSRB

### Rules for Dealers and Municipal Advisors

Under its mission to protect investors and municipal entities and the public interest, the MSRB creates rules governing the conduct of municipal financial professionals.

Core MSRB rules for dealers and municipal advisors include:

- **Professional Qualifications.** MSRB Rules [G-2](#) and [G-3](#) establish professional qualification standards for dealer and municipal advisor professionals and outline requirements regarding continuing education.
- **Fair Dealing.** [MSRB Rule G-17](#) obligates dealers and municipal advisors to deal fairly with all persons and not engage in any deceptive, dishonest, or unfair practice in the conduct of their municipal securities and municipal advisory activities.
- **Suitability.** [MSRB Rule G-19](#) requires a dealer to have reasonable grounds for believing that a recommendation made to an investor is suitable for the investor.
- **Standards of Conduct.** [MSRB Rule G-42](#) establishes the core standards of conduct for municipal advisors, including their obligations related to their fiduciary duty to municipal entity clients.
- **Fair Pricing.** [MSRB Rule G-30](#) requires prices, commissions and any mark-up or mark-down (a form of dealer compensation) dealers charge to investors to be fair and reasonable.
- **Best Execution.** [MSRB Rule G-18](#) requires dealers to seek the most favorable terms reasonably available for their retail customers' transactions.
- **Dealer Compensation.** [MSRB Rule G-15](#) requires dealers to provide customer confirmations that include information about the transaction, attributes of the security, the amount of any commission and the amount of any mark-up or mark-down for certain trades.
- **Time-of-Trade Disclosure.** [MSRB Rule G-47](#) requires dealers to disclose to customers all material information known (or available from an established industry source) about a transaction and security at or prior to the time of trade.

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The MSRB protects investors and municipal entities in the municipal market by increasing the transparency and availability of market information.

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### Market Transparency

Another way the MSRB protects investors and municipal entities in the municipal market is by increasing the transparency and availability of market information. The MSRB provides free access to municipal bond trade data, offering documents (known as official statements) and continuing disclosures so that investors can understand the terms, characteristics, potential risks and rewards of a particular municipal security, and assess the financial health of the issuer over time. These data and documents also help issuers better evaluate their financing options. Importantly, this information is made publicly available through the MSRB's [Electronic Municipal Market Access \(EMMA®\) website](#).

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The MSRB provides objective municipal market education, analysis and data, and addresses topics that can have an impact on the integrity or efficiency of the municipal market.

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Dealers generally are required under [MSRB Rule G-14](#) to report all trades in municipal securities within 15 minutes of the time of trade to the MSRB, which makes the information available through EMMA. False or misleading disclosures to investors are prohibited by the SEC's Exchange Act. Under SEC Rule 15c2-12, dealers acting as underwriters generally must contract with issuers to receive official statements disclosing certain features of the transaction to investors. They also must ensure the state or local government issuing the bonds enters into an agreement to provide certain information about the securities, such as annual financial information and events such as defaults and ratings changes that would be significant to investors, on an ongoing basis. Official statements and ongoing disclosures are made freely available to the public through EMMA.

In addition to security-specific information, the EMMA website provides a broader view of municipal market activity, with statistical data and interactive tools, including municipal market yield curves and indices, and a calendar of new bond issues scheduled to come to market.

### Educational Resources

Consistent with its mission, the MSRB provides objective municipal market education, analysis and data, and addresses topics that can have an impact on the integrity or efficiency of the municipal market. The MSRB develops free educational resources, available in its online [Education Center](#), to help investors and municipal entities make informed decisions. The MSRB publishes [data reports and other analyses](#) to enhance understanding of the municipal market. As a self-regulatory organization, the MSRB regularly engages with dealers and municipal advisors to support their understanding of MSRB rules, inform future rulemaking and other initiatives, and consider ways to streamline, modernize and update existing rules.