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February 2, 2026

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

RE: MSRB 2025-08: Request for Comment on MSRB Rule D-15, Defining the Term Sophisticated Municipal Market Professional (SMMP)

Dear Mr. Smith:

The Government Finance Officers Association (GFOA) appreciates the opportunity to comment on MSRB Notice 2025-08. The GFOA represents over 30,000 public finance professionals across the United States. Our members serve in state and local governments and entities and engage in all matters related to public finance, treasury, accounting and other governmental operations.

This letter dovetails well with many of the key themes in GFOA's December 2025 letter on the MSRB's Strategic Plan and the importance of protecting state and local governments as issuers of municipal securities and investors of municipal securities.

Generally, we support the MSRB's proposed change to Rule D-15(a)(3) that speaks specifically to the SMMP definition for municipal entities that invest in municipal securities. Our comments do NOT extend past this investor population, nor do we have positions on broader issues that the proposed rule addresses.

GFOA has sought changes to the SMMP defining threshold of \$50 million in assets in our July 2023 letter and subsequent conversations with the MSRB. As previously stated, many municipal entities, including small governments, may meet this requirement due to the value of their capital infrastructure, which is unrelated to government investing. Indeed, many governments may not have dedicated investment staff, yet meet the asset threshold and (sometimes unbeknownst to them) are designated as SMMPs. By establishing the threshold on total assets rather than an investable assets basis for our sector, the result is diluted investor protections for many municipal entities.

Dealer compliance with Rule D-15 is also a particular concern. GFOA members have noted being unaware of the designation and recalling no discussions with dealers about the designation. Additionally, when taken along with other requirements dealers have to comply with in Rule D-15 - including having a reasonable basis to believe that the customer can evaluate investment risks and market value independently, both in general and with regard to particular transactions and investment strategies in municipal securities - many members question how their entities could be designated as SMMP. Thus, in addition to changing the definitional threshold for municipal entities and ensuring other technical matters are addressed, the MSRB should consider doing more to provide investors with greater awareness of SMMP standards and meaning.

Below is a summary of the questions asked in the Notice, and GFOA's responses to those matters of interest to our members.

1&2. Changing the threshold term from “\$50 million in assets” to “\$100 million of investments in municipal securities” for municipal entities.

GFOA supports changing the term from assets to investments in municipal securities and the amount threshold from \$50 million to \$100 million. The change from assets to investments is especially important and the proposed language in this section is an appropriate delineation as one of the considerations for a municipal entity to be considered a SMMP.

3. Fully excluding municipal entities from being SMMP eligible.

GFOA does not support fully excluding municipal entities from the SMMP designation. There are large and appropriately sophisticated governments with dedicated investment programs and staff that should be afforded the designation.

4. Importance of qualification and treated as an SMMP.

Some municipal entities do find the SMMP qualification to be important, including being able to purchase municipal securities not available at the retail level.

5-8. Impact on dealers if SMMP status is not as prevalent in the public investing sector.

GFOA is interested, as is the MSRB, in knowing how often dealers designate municipal entities as SMMPs, whether this is a condition for these firms to engage in business with state and local governments, and how dealers would adjust to some clients no longer being SMMP designated.

9. Products and services that would be absent if SMMP status is not as prevalent in the public investing sector.

It is important to note that in most cases state law determines if and what municipal securities state and local governments can purchase. The MSRB may also wish to inquire about whether there was an undue burden or an uncompetitive market for dealer services in the public sector prior to 2013, when the SMMP threshold was based on municipal securities investments.

10. Harmonization with FINRA Rules.

We are aware that state and local governments invest in products that are not regulated by the MSRB, but instead by FINRA. In order to protect state and local governments, harmonization and efforts to implement parallel changes to FINRA rules should be sought in the future.

12. Does Rule D-15, Supplementary Material .01 provide enough guidance for dealers to make a determination of a client's sophistication?

Currently, .01 states - *Reasonable Basis Analysis. As part of the reasonable basis analysis, the broker, dealer or municipal securities dealer should consider the amount and type of municipal securities owned or under management by the client.* This standard is vague, especially if the Rule is updated to require a \$100 million municipal securities investment threshold. Additional information on how “reasonable” is determined and other factors dealers should include in their analysis should be proposed for comment by the MSRB.

13. Are customers sufficiently aware of the customer protections they are giving up when completing Rule D-15(c)'s customer affirmation for qualification as an SMMP?

From our research, municipal entities are unaware of the customer protections they are giving up when designated as an SMMP. Typically, the SMMP documentation is part of a packet of documents that are signed at the beginning of a relationship. Entities are not provided information that explains what the designation means to make an informed decision if it should be signed. A more concerted effort to explain the designation and a specific choice to opt in or not, would be helpful for both municipal entities to understand the designation and determine if it should apply, and for dealers to comply with Rule D-15.

This could all be part of strengthening the current standard under Supplementary Material .2, *The customer affirmation may be given either orally or in writing, and may be given on a trade-by-trade basis, a type-of-transaction basis, a type-of-municipal-security basis (e.g., general obligation, revenue, variable rate), or an account-wide basis*, which is not sufficient. First, the affirmation requirement should be to opt in or out – and in writing – of an application of the SMMP status based on trade-by-trade, type-of-transaction, type-of-municipal-security, or account wide basis. Additionally, this requirement should necessitate documentation signed by the municipal entity and dealers acknowledging the loss of specific investor protections resulting from the SMMP designation.

14. Are dealers taking proper steps to ensure that the appropriate individual is completing the affirmation under Rule D-15(c) when the customer is a municipal entity?

Government personnel responsible for investment duties vary in title and responsibilities. It would be difficult to have a workable one size fits all definition in this area. Dealers should have the flexibility to determine the appropriate municipal entity personnel that manages the investment program and makes investment decisions, and would sign the affirmation. The MSRB may wish to include a requirement that the affirmation statement notes that the person signing the affirmation has authority to do so.

In addition to the input above, we also want to raise the following issues for further discussion that should be addressed by the MSRB in rulemaking, guidance and/or other resources.

- SMMP designations noted on dealer account statements provided to clients. This will help municipal entity customers readily know if they have this designation.
- Annual reaffirmation of SMMP status.
- Instructions on how a municipal entity customer can relinquish their SMMP status.

In summary, GFOA supports changing the Rule D-15 SMMP definition for municipal entity customers to “\$100 million of investments in municipal securities.” However, we believe more should be done to protect public sector investors. This includes increased affirmation requirements and specific disclosures that both parties attest to the D-15 requirements being met, and the client being aware of the investor protections that are not in place with this designation.

We welcome the opportunity to discuss these matters with the MSRB Board and staff in the future.

Sincerely,

Emily S. Brock

Emily S. Brock
Director, Federal Liaison Center