

**SUBMITTED ELECTRONICALLY**

January 11, 2021

Ronald W. Smith  
Corporate Secretary  
Municipal Securities Rulemaking Board  
1300 I Street NW, Suite 1000  
Washington, D.C. 20005

**RE: Municipal Securities Rulemaking Board Requests Input on Strategic Goals and Priorities (Notice 2020-19)**

Dear Mr. Smith:

The American Bankers Association<sup>1</sup> (ABA) appreciates the opportunity to provide comments to the Municipal Securities Rulemaking Board (MSRB or Board) on its strategic planning exercise released on December 7, 2020. The MSRB is soliciting public comment to MSRB Notice 2020-19 (Notice), which will be used to develop the organization's future strategic goals and priorities.<sup>2</sup> Specifically, the Board is requesting input from stakeholders in order to build a new vision and mission statement that articulates its priorities for supporting a fair and efficient municipal securities market.

Many ABA members provide services as regulated municipal securities dealers, either through separately identifiable departments in commercial banks or through broker-dealer affiliates of commercial banks. Additionally, our members also regularly purchase municipal obligations directly from the obligors and extend loans and provide other credit accommodations to municipalities and conduit borrowers. Our members rely on the MSRB's EMMA, and CUSIP, as essential elements for the underwriting, purchase, trading and settlement of municipal securities.<sup>3</sup>

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<sup>1</sup> The American Bankers Association is the voice of the nation's \$21.1 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard nearly \$17 trillion in deposits, and extend nearly \$11 trillion in loans. Learn more at [www.aba.com](http://www.aba.com).

<sup>2</sup> See MSRB Notice 2020-19.

<sup>3</sup> As the owner of the CUSIP system, ABA looks forward to continuing and enhancing its partnership with the MSRB by producing accurate security identifiers that markets, investors, and other stakeholders can rely on to provide global financial markets transparency. This task requires adherence to strict governance and other processes. CUSIP Global Services (CGS), the administrator of CUSIP, exists solely to provide transparency, accuracy, and consistency in reference data by focusing exclusively on creating a universally recognized and trusted procedure for security identification. In their role, CGS not only assigns identifiers, the numbering agency also methodically scrutinizes offering documents and dissects their element parts before individual securities are taken to market. The MSRB and CGS, through its partnership with the ABA, have worked together for many years to bring certainty and

The ABA commends the Board on its continued efforts to provide an open and transparent process for industry participants and stakeholders, including our members, to engage in the strategic planning process of the MSRB. In light of the COVID-19 pandemic and its potential ongoing effects on the municipal securities industry, we believe it is appropriate to undertake strategic initiatives that will have a positive and reverberating impact on the industry. Such steps would significantly affect the direction and impact of the MSRB's initiatives within a changing and unpredictable regulatory environment. In particular, this strategic exercise's timing will allow the MSRB to reflect on its previous efforts related to its multi-year retrospective review of the Board's rulebook to ensure it reflects the current state of, and challenges faced by, the municipal securities market. Our comments below respond specifically to Questions 1, 2, 4, and 5 of the Notice.

***Question 1: What are the important trends or developments you have your eyes on in the municipal market in the coming years?***

We believe that the MSRB's current priorities in regulation, technology, and data are appropriately focused and are broad enough to encapsulate industry participants' concerns during a time of significant instability, uncertainty, and volatility. ABA believes the evolution of technology and its costs will continue to be challenging for banks as the pace, magnitude, and implementation of regulation will prove to be resource-intensive on all institutions involved in municipal securities activities and operations. Specifically, we are monitoring and responding to the continued technology-driven adaptation of trading operations in capital markets. While technology generally may facilitate a level playing field, institutions' technology budgets vary disproportionately across the stakeholder spectrum. The ABA suggests the MSRB consider and factor in the various budgetary hurdles of the electronic transformation process when updating its rulebook, in whole or in part, for its industry participants. These involve cost component, security, and transparency concerns as described below.

ABA members frequently encounter implementation issues on finalized rules when they require updates and additions to, and testing of, existing systems. Flexibility therefore is needed for banks to incorporate new technologies and work with third-party providers that often implement changes to bank legacy systems and platforms.

As the Board continues its migration to cloud-based technologies and emphasizes greater use of its developing interfaces and tools to engage stakeholders further, we urge the MSRB to regularly review the front-to-backend security measures and protocols. For example, a well-publicized cyber-attack announced in December 2020, adversely affected government, military, and private-sector institutions. We believe that it is essential to protect the end-user of innovative solutions by identifying the effects of threats and preparing for potential risk mitigation measures. Additionally, as the preparations begin to transition into a post-COVID-19 environment, and the corresponding ramp-up to embrace and adopt new technologies, it is crucial for the Board to keep its industry stakeholders informed of significant developments throughout the value chain as it modernizes its technology. We appreciate MSRB's historically

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efficiency to municipal market participants and we look forward to continuing and enhancing that collaborative spirit under Mr. Kim's leadership.

open dialogue regarding technological innovations and encourage such transparency going forward.

***Question 2: How would you assess the effectiveness of the MSRB at advancing its mission? What are we doing well? What should we improve upon?***

ABA was delighted when MSRB announced Mark Kim as the MSRB's chief executive officer in September 2020, after serving as the chief operating officer since 2017. Mr. Kim has been accessible, open, and forthright in his past roles at the MSRB, and we commend the Board in this important selection. Stakeholder engagement has been a theme of prior leaders at the MSRB, and Mr. Kim has been measured in his approach to ensure that it will not be overlooked during his tenure. We would encourage Mr. Kim to continue to elevate the profile of the MSRB and its mission to educate and inform “how” its staff works to “... promote a fair and efficient municipal securities market.”<sup>4</sup> These efforts should clearly articulate the key role MSRB plays in Washington and beyond as a means to “why” the \$4 trillion municipal securities market is vital to the American economy. We look forward to engaging with Mr. Kim and the Board’s senior leadership team and encourage them to maintain MSRB’s independent profile before the new administration and Congress.

Concerning board size, ABA recognizes the need to readjust the Board's size and composition after the rulemaking activity and implementation of the Dodd-Frank Act. The MSRB had acknowledged in recent notices<sup>5</sup> that rulemaking activity is now complete. The Board wishes to return to its statutorily prescribed Board size of 15 members, after growing to 21 members during the Dodd-Frank mandate.<sup>6</sup> In expressing its wish to return to 15 members, the Board cites the benefits of this correction as “attendant efficiency and lower cost,” of a smaller Board. We support the Board's efforts, and its transition plans to return to the prescribed 15-member Board to facilitate the MSRB’s advancement of its mission going forward.

It is important to note that the MSRB has taken measures to readily define and adequately scope the definition of its independence standard by amending Rule A-3 in 2010, and more recently, in 2020, whereby a board member candidate cannot have a material business relationship with a municipal securities broker, municipal securities dealer, or municipal advisor within the previous two years. More specifically, the Board refined this definition to preclude an individual from having a relationship with the institutions mentioned above, which would be compensatory or otherwise affect the individual’s decision-making in Board matters. However, we believe that a five-year “cooling-off period,” for Board candidates unnecessarily limits the pool of talented applicants while curbing the up-to-speed industry knowledge one can bring to the Board after this lengthy period. We note that when the Board had increased its size to 21 members, it may have unintentionally contributed to the ability to seek qualified candidates and/or applicants to join the Board. Returning to a 15-member Board may prevent the need for multiple call rounds for Board candidates.

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<sup>4</sup> The Role and Jurisdiction of the MSRB (2017).

<sup>5</sup> See MSRB Notice (2020-02) and MSRB Notice (2020-14) on amendments to MSRB Rules A-3 and A-6, designed to improve Board governance.

<sup>6</sup> See Securities Exchange Act of 1934 § 15B(b)(2)(B).

Therefore, should the Board consider changing the independence standard separation period in the future, it may consider shortening the period to one year of separation similar to other SROs (e.g., FINRA).

***Question 4: How can modernization of EMMA and related technology systems best support users? What gaps should be addressed to enhance market transparency?***

Under Mr. Kim's stewardship as chief operating officer, the MSRB has undergone significant technological changes, including migrating the MSRB's Electronic Municipal Market Access (EMMA) system to the cloud. These market transparency initiatives are vitally important for the Board's future as it seeks to offer improved user experiences and new tools and interfaces to greater benefit the marketplace. Issuers and other stakeholders value the readily available information on the EMMA system. However, while EMMA provides the necessary parameters for skilled professionals to use the system, there is a steep learning curve for those who are not as familiar (the average retail investor) with EMMA's current platform. Consequently, we recommend that the Board further engage with market participants during the beta-testing phase when developing any potential new interface for the industry, if available.

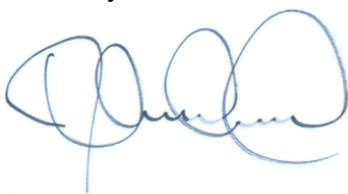
***Question 5: In what ways should the MSRB deliver on the promise of cloud-based computing to improve the availability of data for enabling market research and analysis?***

The MSRB has been a strategic partner in its data collection efforts. The transition to the cloud enabled the MSRB to be even more efficient in this endeavor and opened up additional opportunities for the industry to receive better and more efficient access to the data. The Board has recently communicated that it also endeavors to leverage data analytics soon. We strongly support the Board's efforts to provide additional value to investors and other market participants as it seeks to identify emerging risks and other market trends for industry participants. Undoubtedly, the need for effective and efficient workflows is even more critical in the COVID-19 environment. We look forward to working with the Board to provide our members with expertise to enhance further the delivery of upcoming changes to the MSRB in the coming year.

Lastly, in light of the COVID-19 pandemic, we urge a thoughtful, deliberative, and tailored rulemaking process. We recommend further that the Board prioritize transparency and flexibility in implementing regulations that respond to the ongoing needs and challenges of the municipal securities industry.

Thank you for your consideration of our views and recommendations. If you have any questions or require any additional information, please do not hesitate to contact the undersigned at 202-663-5273 ([junderwood@aba.com](mailto:junderwood@aba.com)).

Sincerely,



Justin M. Underwood