



# Know Your Protections: Regulation, Information and Resources

When purchasing or selling a municipal security, it's important to know what obligations are owed to you by your financial professionals and to understand how you are protected as an investor. The Municipal Securities Rulemaking Board (MSRB) regulates the activities of financial firms called brokers, dealers and municipal securities dealers (collectively, "dealers") that buy, sell and underwrite municipal securities.<sup>1</sup> The [MSRB's Electronic Municipal Market Access \(EMMA®\) website](#), the official repository for information on municipal securities, provides free access to documents and data about municipal securities. The MSRB's digital [Education Center](#), offers free, objective multimedia resources about municipal securities.

This document provides an overview of MSRB rules and resources designed to protect municipal securities investors when buying and selling municipal securities.

## DEALERS' OBLIGATIONS TO INVESTORS

**Professional Competency.** Before engaging in municipal securities activities, the financial professionals associated with a dealer must take and pass one or more professional qualification examinations. These professionals also must keep their knowledge up to date by meeting continuing education requirements. Together, these requirements are designed to help ensure that financial professionals have the baseline

knowledge applicable to their role and responsibilities, and are knowledgeable about the federal securities laws, rules and regulations relevant to their responsibilities.

**Fair Dealing.** Dealers and their financial professionals must deal fairly with investors and not engage in any deceptive, dishonest or unfair practices in conducting municipal securities activities. This obligation not only prohibits deceptive conduct on the part of the dealer and its financial professionals but also establishes a general duty that the dealer and its financial persons must deal fairly with all persons, even in the absence of fraud.

**Standards for Advertisements.** Dealers' advertisements must be fair and balanced and may not omit any material fact or qualification that would cause the advertisement

<sup>1</sup> Underwriters also have responsibilities under other securities laws applicable to municipal securities offerings. This summary does not describe all applicable provisions of rules and interpretations, nor does it include all exceptions from general requirements. The MSRB may amend any such rules or interpretations, or may adopt additional rules or interpretations, from time to time. The complete text of specific rules and interpretations, and related definitions, are available at <http://msrb.org/Rules-and-Interpretations.aspx>. In addition, other laws (including state and local rules) may be applicable to certain activities described herein. This document does not create new legal or regulatory requirements, or new interpretations of existing requirements and should not be interpreted by regulated entities or examining authorities as establishing new standards of conduct.

to be false, exaggerated, unwarranted, promissory or misleading. Additionally, advertisements cannot predict or project performance, imply that past performance will recur or make any exaggerated or unwarranted claim, opinion or forecast or include a testimonial unless it satisfies certain conditions.

**Suitability.** Dealers and their financial professionals must have a reasonable basis to believe a recommended transaction or investment strategy involving a municipal bond is “suitable” for the investor. This suitability determination must be made based on information about an investor’s investment profile, including the customer’s age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose in connection with a recommendation. Dealers and their financial professionals are also prohibited from executing transactions that are excessive in size or frequency based on the dealer’s knowledge of the investor.

**Time-of-Trade Disclosure.** Dealers and their financial professionals must disclose all material information known about a municipal bond orally or in writing, at or prior to an investor’s time of trade. This obligation applies for primary and secondary market transactions, regardless of whether your financial professional recommends the transaction. Information is considered to be material if there is a substantial likelihood that the information would be considered important or significant by a reasonable investor in making an investment decision.

**Fair Pricing.** Dealers must charge fair and reasonable prices. Whether an investor is buying or selling a municipal security, dealers must charge a price, including their compensation, that is fair and reasonable and that takes into consideration all relevant factors., including that it “bear a reasonable relationship” to the prevailing market price of the security. This fair pricing obligation also extends to the dealer’s compensation charged on a transaction. Dealers conduct this analysis by, among other things, reviewing recent transaction prices for the

municipal security and/or the transaction prices for other securities with similar credit quality and features.<sup>2</sup>

A dealer’s professional’s compensation for the work involved in the transaction may vary, depending on the facts and circumstances of the particular trade. For principal transactions, the “all-in” price, including the dealer’s compensation in the form of a mark-up or mark-down, must be fair and reasonable. For agency transactions, the dealer must try to provide a fair and reasonable price related to prevailing market conditions and must charge a fair commission.

**Best Execution.** The term “best execution” generally refers to the process by which dealers handle customer orders and execute customer transactions. Dealers and their financial professionals must use reasonable diligence to determine the best market for a customer’s security and to buy or sell the security in that market so that the resulting price to the customer is as favorable as possible under prevailing market conditions. Importantly, dealers and their financial professionals are not required to obtain the “best price” for their customers. However, this obligation and the MSRB’s fair pricing rule work together to help ensure that the price paid by an investor and the dealer’s compensation for that transaction are fair and reasonable.

**Trade Confirmations.** A confirmation is a written summary of the transaction details of the purchase or sale of municipal securities delivered to investors electronically or by mail. Dealers must provide a confirmation of a transaction that generally contains a description, par value, price and yield of the security, the identities of the parties to the transaction, the capacity in which the dealer is acting, the dollar amount of the transaction, the sale and settlement dates, and information about the delivery of your security. Confirmation information for multiple transactions in the same account executed on the same day will often appear together in one confirmation document.<sup>3</sup>

Typically, your confirmation also will include information about the compensation to your dealer for the role it played in your transaction. If your dealer bought

<sup>2</sup> [Did I Get A Fair Price?](#)

<sup>2</sup> [Understanding Your Confirmation](#)

your security in a principal capacity—meaning that it bought or sold from its own account—on the same day that it sold it to you (or vice versa), your confirmation generally must include the amount of the dealer’s mark-up or mark-down charged on the transaction (*i.e.*, the compensation to the dealer on a principal transaction). If your transaction was executed in an agency capacity—meaning that the dealer is not selling from, or buying into, its own inventory of bonds—your confirmation always must include the amount of the commission charged on your transaction (*i.e.*, the compensation to the dealer on an agency transaction).

## ACCESS TO DOCUMENTS AND DATA ABOUT MUNICIPAL SECURITIES

For investors, the [Electronic Municipal Market Access](#) or EMMA website, is the official source of data and information on virtually all municipal securities, including municipal fund securities such as 529 savings plans. EMMA is a resource to help investors to learn about the municipal securities market, discover the features and risks of specific municipal bonds, evaluate broader municipal market trends and monitor municipal securities investments over time. Investors can explore EMMA to access important disclosure documents, real-time trade prices, official statements, credit ratings, ongoing disclosure documents, interactive tools for investors, and other information about outstanding municipal securities.

EMMA features include:

- Access to disclosure documents that can help investors evaluate the features and risks of a municipal bond, and the financial health of the bond issuer.
- MyEMMA, a free account where investors can track and monitor their municipal securities investments. Investors can set up personalized alerts to receive notifications when new information becomes available for selected securities such as the trading activity of a particular security or group of securities, and to receive updates when new disclosure documents, such as annual financial reports are posted on EMMA.
- A new issue calendar that allows investors to see a listing of the municipal bond issues scheduled to come to market and bond issues recently sold.
- An interactive map that enables investors to access a searchable directory of all state, city, county and other municipal securities issuers in a particular state. Each issuer has a unique page that consolidates all information available on EMMA about the issuer’s securities, including recent trades, official statements, disclosure documents and optional information such as contact information, website addresses and pre-sale documents.

Access to third-party yield curves and indices help individual investors measure the general direction and performance of the market.

## RESOURCES FOR UNDERSTANDING THE MUNICIPAL MARKET

The MSRB provides educational resources that help investors make informed decisions through its online Education Center. The [Education Center](#) provides free, objective multimedia municipal market educational resources tailored for investors at all levels.

### About the MSRB

The Municipal Securities Rulemaking Board (MSRB) protects and strengthens the municipal bond market, enabling access to capital, economic growth, and societal progress in tens of thousands of communities across the country. The MSRB fulfills this mission by creating trust in our market through informed regulation of dealers and municipal advisors that protects investors, issuers and the public interest; building technology systems that power our market and provide transparency for issuers, institutions, and the investing public; and serving as the steward of market data that empowers better decisions and fuels innovation for the future. The MSRB is a self-regulatory organization governed by a board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is overseen by the Securities and Exchange Commission and Congress.

*This information is for educational purposes only and provides a general overview of the subject matter and does not constitute investment, tax, business, legal or other advice.*