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[Rule G-14](#)

## MSRB Provides Guidance on MSRB Rule G-14, on Reports of Sales or Purchases of Municipal Securities

### Background

The Municipal Securities Rulemaking Board (MSRB) amended MSRB Rule G-14 effective July 18, 2016.<sup>1</sup> These amendments were approved by the Securities and Exchange Commission (SEC) on May 22, 2015.<sup>2</sup> [View the regulatory notice](#). Rule G-14 requires brokers, dealers and municipal securities dealers (collectively, dealers) to report all executed transactions in most municipal securities to the MSRB's Real-Time Transaction Reporting System (RTRS) within 15 minutes of the time of trade, with limited exceptions.<sup>3</sup> RTRS serves the dual objectives of price transparency and market surveillance. The MSRB makes transaction data for transparency purposes available to the general public through the Electronic Municipal Market Access (EMMA<sup>®</sup>) website at no cost, and disseminates such data through paid subscription services to market data vendors, institutional market participants and others that subscribe to the data feed. The amendments to Rule G-14 were developed to enhance the post-trade price transparency information provided through RTRS by:

- Establishing a new indicator for customer trades not involving transaction-based compensation;
- Establishing a new indicator for alternative trading system (ATS) transactions;

<sup>1</sup> See [MSRB Notice 2015-07 \(May 26, 2015\)](#).

<sup>2</sup> See Securities Exchange Act of 1934 ("Exchange Act") Release No. 75039 (May 22, 2015), 80 FR 31084 (June 1, 2015) (SR-MSRB-2015-02).

<sup>3</sup> There are several exceptions available to dealers from the requirement to report within 15 minutes. For example, dealers that are members of a syndicate, or selling group or distribution participant that effect trades in a new issue at the takedown or list offering price may report trades by the end of the first day of trading and trades in short-term instruments such as variable rate securities, auction rate products, and commercial paper may be reported by the end of the day on which the trades are effected.



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- Expanding the application of the existing list offering price and takedown indicator to transactions involving distribution participant dealers and takedown transactions that are not at a discount from the list offering price; and
- Eliminating the requirement for dealers to report yield on customer trade reports and, instead, enabling the MSRB to calculate and disseminate yield on customer trades.

The MSRB is providing this guidance designed to support compliance with MSRB Rule G-14 in a question-and-answer format.<sup>4</sup> The answers are not considered rules and have neither been approved nor disapproved by the SEC. The MSRB may update these questions and answers periodically, and any updates will include appropriate references to dates of new or modified questions and answers.

Questions concerning this document may be directed to Barbara Voute', Director, Market Practices, at 202-838-1500.

August 9, 2016

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<sup>4</sup> This guidance is in addition to previously issued guidance on Rule G-14 available at <http://msrb.org/Rules-and-Interpretations/MSRB-Rules/General/Rule-G-14.aspx?tab=2>.

## Questions and Answers Concerning Real-Time Reporting of Municipal Securities Transactions

**Q1:** Dealers are required to include time of trade (along with trade date) on all transaction reports.<sup>5</sup> What is “time of trade?”

**A:** Transaction reporting procedures define “time of trade” as the time at which a contract is formed for a sale or purchase of municipal securities at a set quantity and set price.<sup>6</sup> For transaction reporting purposes, this is considered to be the same as the time that a trade is “executed.” The time that the trade is executed is not necessarily the time that the trade information is entered into the dealer’s processing system. For example, if a trade is executed on a trading desk but not entered for processing until later, the time of execution (not the time of entering the record into the processing system) is required to be reported as the “time of trade.” Similarly, when a dealer executes a transaction outside of the RTRS Business Day,<sup>7</sup> the time the trade was executed (rather than the time that the trade report is made) is the “time of trade” required to be reported.

**Q2:** What is “time of trade” for new issue securities?

**A:** For new issue securities, a transaction effected on a “when, as and if issued”<sup>8</sup> basis cannot be executed, confirmed and reported until the municipal security has been formally awarded by the issuer. For a negotiated issue, this “time of formal award” is defined as the time of the signing of the bond purchase agreement and for a competitive issue, it is the time of the official award by the issuer. While dealers may take orders for securities and make conditional trading commitments prior to the award, dealers cannot execute transactions, send confirmations or make a trade report prior to the time of formal award. Once a new issue of municipal securities has been formally awarded, trade executions can begin. The time of execution is then reported to the MSRB.<sup>9</sup>

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<sup>5</sup> The MSRB’s [Specifications for Real-Time Reporting of Municipal Securities Transactions](#) lists the trade details required for real-time transaction reporting.

<sup>6</sup> See MSRB Rule G-14 RTRS Procedures (d)(iii).

<sup>7</sup> Transactions effected during the RTRS Business Day (from 7:30 a.m. to 6:30 p.m. Eastern time) are required to be reported in real-time. Transactions effected outside of those hours are required to be reported within 15 minutes after the start of the next RTRS Business Day.

<sup>8</sup> See [MSRB Glossary of Municipal Securities Terms](#), Third Edition, August 2013.

<sup>9</sup> For additional discussion of time of trade on transactions in new issue securities, see “Notice Requesting Comment on Draft Amendments to Rule G-34 to Facilitate Real-Time Transaction Reporting and Explaining Time of Trade for Reporting New Issue Trades,” [MSRB Notice 2004-18 \(June 18, 2004\)](#) and “Notice of Filing of Proposed Rule Changes to Extend the Expiration of the Three-Hour Exception and to Require Underwriter Participation with DTCC’s NIIDS System,” [MSRB Notice 2007-36 \(November 27, 2007\)](#).

**Q3:** There is a non-transaction-based compensation special condition indicator (NTBC indicator) for customer transactions. Is the NTBC indicator to be used only on customer transactions executed in a wrap fee account?

**A:** No, while transactions that occur in a wrap fee account may be one example of a transaction that qualifies as a customer transaction with no transaction-based dealer compensation component, the NTBC indicator is intended to distinguish all customer transactions that do not include a transaction-based compensation component from those transactions that do include a mark-up, mark-down or commission. Dealers should carefully consider other transactions that may require this indicator, such as those in which the dealer receives a remarketing fee, or a transaction often referred to as an “accommodation” that does not include a transaction-based dealer compensation component.

**Q4:** Is the NTBC indicator to be used only on customer trades executed on a principal basis?

**A:** No. The NTBC indicator applies to both principal and agency trades. It is important for dealers to affirmatively indicate the transactions where a principal transaction does not include a mark-up or mark-down and an agency trade does not include a commission.

**Q5:** Is the NTBC indicator to be used only on retail customer accounts?

**A:** No. There is no exemption for transactions with Sophisticated Municipal Market Professionals (SMMPs). The NTBC indicator is determined on a transaction basis and is to be used on any customer transaction to which it applies.

**Q6:** What is the purpose of identifying an inter-dealer trade executed with or using the services of an alternative trading system (ATS)?

**A:** The purpose of the indicator is to better ascertain the extent to which ATSs are used in the municipal market and to indicate to market participants information that the services of an ATS were used in executing the inter-dealer transaction.

**Q7:** If a counterparty does not use the ATS indicator, will the two dealers’ transaction submission still match on the NSCC Real-Time Trade Matching (RTTM)?

**A:** Yes. The ATS indicator is not a matching value for RTTM. As noted in the MSRB’s [Specifications for Real-Time Reporting of Municipal Securities Transactions](#), a new error code (Q55A) will be noted when the seller’s and buyer’s trade reports differ with respect to the ATS special condition indicator. Incorrect submissions should be modified as necessary.

**Q8:** Do transactions executed over the phone with an ATS (voice trades) require a special condition indicator?

**A:** As noted in MSRB Notice 2015-07, an inter-dealer transaction executed with or using the services of an alternative trading system with Form ATS on file with the SEC is required to be reported with the ATS indicator regardless of the mode of the transaction. See the MSRB’s [Specifications for Real-Time](#)

[Reporting of Municipal Securities Transactions](#) for more detail on the use of the ATS special condition indicator.

**Q9:** As of July 18, 2016, dealers are no longer required to report yield on customer trade reports, but MSRB Rule G-15 still obligates a dealer to calculate yield for customer confirmations. If a dealer's yield calculation used for customer confirmations to comply with Rule G-15 differs from the yield disseminated by the MSRB, how can the dealer determine the reason for the difference?

**A:** The EMMA website includes a column labeled "Calculation Date & Price (%)" that displays the date and price for which the yield was calculated, which provides transparency on the inputs used in MSRB yield calculations to explain any potential calculation differences.