

2016-18

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Stakeholders

Municipal Securities
Dealers, Municipal
Advisors, Issuers

Notice Type

Regulatory
Announcement

Implementation Date

August 17, 2016

Category

Fair Practice

Affected Rules

[Rule G-37](#)

MSRB Files Amendment to Rule G-37 to Clarify its Application to Contributions before August 17, 2016

On February 13, 2016, amendments to Municipal Securities Rulemaking Board (MSRB) Rule G-37, on political contributions and prohibitions on municipal securities business, and related amendments to MSRB Rules G-8, on books and records, and G-9, on preservation of records, and Forms G-37 and G-37x (“Rule G-37 Amendments”), were deemed approved under the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”).¹ When effective on August 17, 2016,² the Rule G-37 Amendments will extend the core standards under Rule G-37 to municipal advisors, their political contributions and the provision of municipal advisory business. The amendments are designed to address potential “pay-to-play” practices by municipal advisors consistently with the MSRB’s existing regulation of dealers.

Today, the MSRB filed with the Securities and Exchange Commission (SEC) an amendment to Rule G-37 to clarify that, consistent with the current regulatory policy under existing Rule G-37, contributions by persons who become associated with a dealer and become municipal finance professionals of the dealer, if made prior to August 17, 2016 (the effective date of the Rule G-37 Amendments) are subject to the two-year look-back in Rule G-37 and may subject a dealer to a prohibition on municipal securities business.³ The clarification is made in Rule G-37(h), which had been amended in the Rule G-37 Amendments to reflect the extension of the rule to municipal advisory business. Specifically, Rule G-37(h) is amended to provide that the prohibitions on engaging in municipal securities business and municipal advisory business “shall result from a contribution and be of

¹ SR-MSRB-2015-14, the rule filing that sets forth the Rule G-37 Amendments, was deemed approved on February 13, 2016 under Section 19(b)(2)(D) of the Exchange Act. See [Securities Exchange Act Release No. 76763 \(December 23, 2015\)](#), [80 FR 81710 \(December 30, 2015\)](#).

² The MSRB established August 17, 2016 as the effective date and explained the terms and effect of the Rule G-37 Amendments in [Notice 2016-06 \(February 17, 2016\)](#).

³ See [File No. SR-MSRB-2016-10](#).



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the scope and length of time as provided under Rule G-37 as in effect at the time that such contribution is made.” The amendment is consistent with the intent of the Rule G-37 Amendments to achieve implementation of such amendments without any interruption of the current regulatory policy regarding a two-year look-back applicable to dealers and their municipal finance professionals in Rule G-37. The rule amendment is effective immediately and the date of implementation is August 17, 2016.

Questions concerning this notice should be directed to Sharon K. Zackula, Associate General Counsel, at 202-838-1500.

August 4, 2016

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Text of Amendments*

Rule G-37: Political Contributions and Prohibitions on Municipal Securities Business and Municipal Advisory Business

(a) - (g) No change.

(h) *Operative ~~Terms~~Date/Transitional Effect*. The prohibitions under this rule on engaging in municipal securities business and municipal advisory business, ~~as described in section (b) of this rule,~~ shall result from a contribution and be of the scope and length of time as provided under Rule G-37 as in effect at the time that such contribution is made. ~~arise only from contributions made on or after August 17, 2016; provided, however, that any prohibition under this rule already in effect on August 16, 2016, shall be of the scope and continue for the length of time provided under Rule G-37 as in effect at the time of the contribution that resulted in such prohibition.~~

(i) - (j) No change.

* The text of the amendments is marked to show only the changes made today to the recently amended version of Rule G-37(h). Underlining indicates new language; strikethrough denotes deletions.