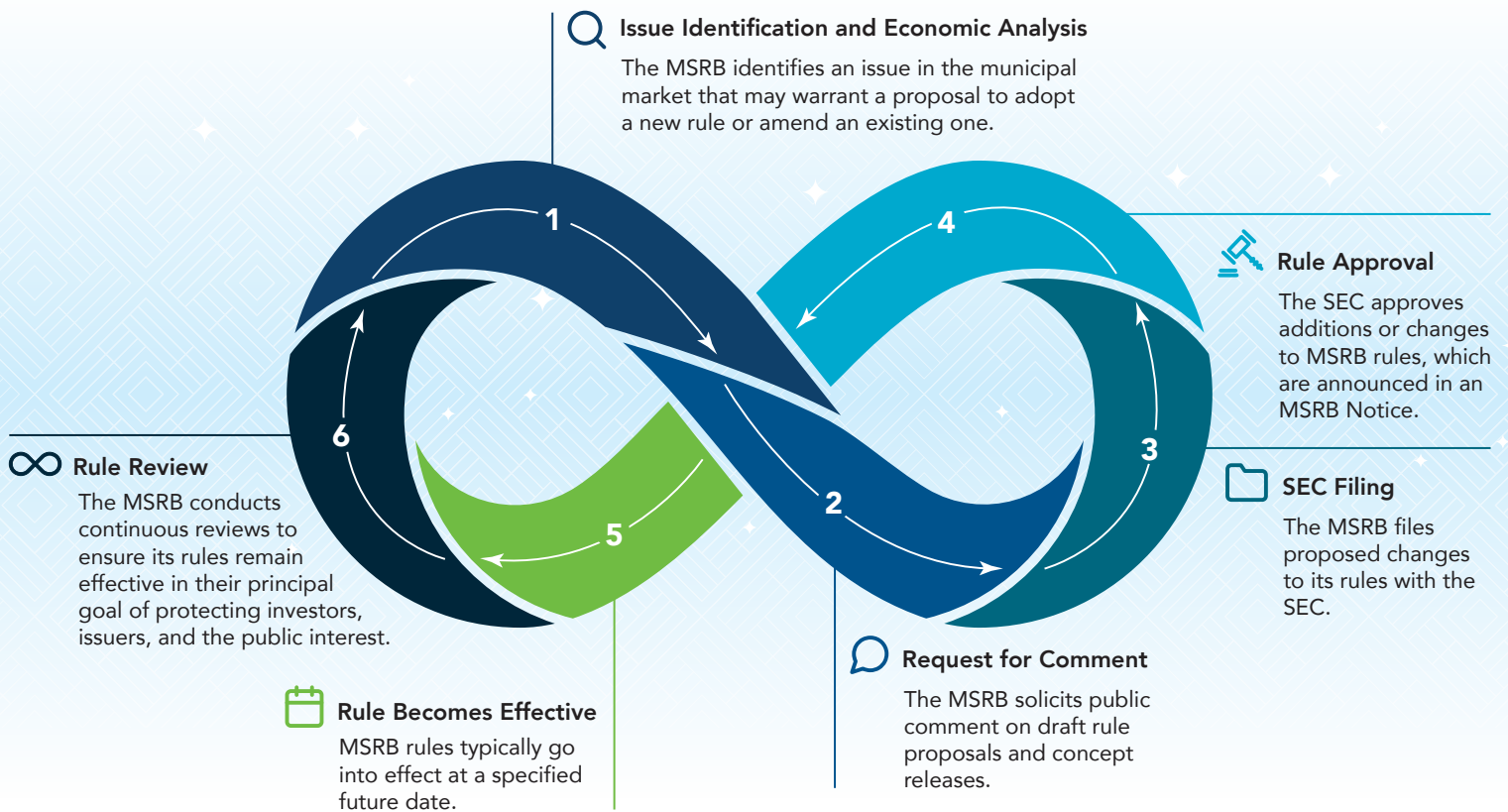


MSRB Rulemaking Process

The Municipal Securities Rulemaking Board (MSRB) develops rules for municipal securities dealers and municipal advisors through a transparent and participatory process that typically provides market stakeholders with a number of opportunities to comment on potential rulemaking. Generally, the MSRB’s rulemaking process follows the below steps:¹



¹ The rulemaking process may vary depending on factors such as the nature of the rule proposal, input from market stakeholders, and decisions of the Securities and Exchange Commission (SEC), the federal agency responsible for oversight of the MSRB. Depending on the complexity of the issue and the extent of comments on a proposed rule, certain steps of the process may be repeated, delayed, or changed as appropriate.

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Issue Identification and Economic Analysis

The MSRB conducts continual outreach to engage stakeholders, including fellow regulators and market participants, to assist in identifying issues in the municipal securities market that may warrant a proposal to adopt a new rule or amend an existing one. Once an issue is identified, the MSRB explores alternatives to rulemaking such as educating market participants or enhancing market transparency. The MSRB applies a formal [economic analysis policy](#) to assist in rigorous assessment of the potential implications of possible approaches to addressing market issues.

Request for Public Comment

If the MSRB believes a rule is needed to address an identified issue, it develops a proposal and typically solicits public comment to learn more about potential implications of the rule for regulated entities and the expected benefits of the rule for the fairness and efficiency of the market. A [request for comment is published on the MSRB's website in the form of an MSRB Notice](#). The notice typically contains background information on the regulatory issue and the outcomes the rule proposal aims to achieve, a brief summary of the key provisions of the rule proposal, specific questions directed to market participants and the full text of the rule proposal.

The MSRB may decide that preliminary information is needed before determining whether a rule proposal may be warranted. In these cases, the MSRB publishes a notice in the form of a concept release to seek comment on the issue and a proposed method of addressing it in advance of developing a rule proposal.

With both concept releases and requests for comment, market participants are invited to engage in the rulemaking process by submitting comments during the designated comment period. These responses help inform the rulemaking process and improve the

quality and effectiveness of rulemaking. All comment letters received, including any identifying information, generally are published on the MSRB's website.

The MSRB reviews all comment letters and evaluates whether, and to what extent, the proposed rule should be revised in light of comments received. If the MSRB determines that revision is necessary, additional public comment may be requested on the revisions. This process may continue a number of times until the MSRB concludes that a proposed rule appropriately balances competing considerations and represents the best approach to address the underlying issue.

SEC Filing

Rule proposals are then filed for approval with the SEC. [SEC filings](#) are public documents that are published on the MSRB's website. Filings typically contain general background information on the issue and the development of the rule proposal, an assessment of any burden on competition and why the rule proposal is necessary and appropriate, a summary of the comments received and related MSRB responses, as well as a detailed description of the rule proposal. Filings will typically be accompanied by a number of exhibits including copies of any MSRB concept releases, requests for comment and the related comment letters received, and the language of the proposed rule or rule amendments.

When the SEC publishes the MSRB's rule proposal in the Federal Register—the official publication of the federal government for rules, proposed rules and notices—it invites market participants to submit comments on the proposed rule. The comment period generally lasts 21 days.

The MSRB may respond to, revise, or withdraw a rule proposal in light of the comments received by the SEC. If amended, the rule proposal will be republished for comment in the Federal Register. This process may be repeated as necessary.



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Rule Approval

The SEC reviews the full record on a rule proposal and determines whether to approve or disapprove the rule proposal in accordance with applicable statutory standards. If approved, MSRB rules have the force and effect of federal law. The MSRB publishes an [approval notice](#) on its website and the SEC publishes its approval order in the Federal Register to announce rule approval and to notify regulated entities and the public of the rule's effective date.

Under certain circumstances, the SEC may extend its time for consideration of a rule proposal by instituting proceedings to determine whether to approve or disapprove, which can extend the time for SEC action up to 240 days from the initial publication of the proposal in the Federal Register.

Rule Becomes Effective

Once the SEC approves a rule proposal, it becomes effective on a specified date and regulated entities comply with the approved rule from that date forward. The MSRB will engage in outreach and other activities with stakeholders to highlight compliance with the adopted rules. For example, the MSRB may publish a compliance resource or host a webinar related to the new or amended rule.

Rule Review

Once a rule's compliance date passes and it goes into effect, the MSRB continues to monitor the rule's application for compliance issues, regulatory developments, and changes in the industry as part of a continuous rule review process. In prioritizing and assessing candidates for retrospective review, the MSRB considers whether a rule and/or guidance continues to protect investors, issuers and the public interest, is reflective of current market practices, is harmonized with the rules of other regulators, as applicable, and whether there is unconscious bias in the operation of the rule or restriction of access to the municipal market as an unintended consequence of the rule. Additionally, the MSRB considers whether the purpose and intent of a rule and/or guidance is clearly understood. This includes, for example, consideration of whether regulated entities are able to comply without undue burden and whether the rule is the subject of stakeholder questions. If changes or amendments to rules are appropriate based on these considerations, the rulemaking process begins again.

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.

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