



Fiscal Year 2023 Budget

For the Fiscal Year Beginning October 1, 2022

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Dear Stakeholders,

Upholding the public trust is the foundation of everything we do at the MSRB to give America the confidence to invest in its communities. As a self-regulatory organization (SRO) for the \$4 trillion U.S. municipal securities market, we understand that fiscal transparency and accountability are critical to earning and maintaining public trust. We publish an annual budget to report on the financial management of our activities to protect investors and issuers and to promote a fair and efficient market. The MSRB is funded primarily by fees paid by regulated industry entities, at no cost to the American taxpayer.

The Board has approved the MSRB's budget for the new fiscal year beginning on October 1, 2022 to advance our priorities in support of the Strategic Plan we adopted last year with extensive input from our diverse stakeholders. Grounded in our Congressional mandate, the FY 2022–FY 2025 Strategic Plan provides a detailed roadmap for modernizing the MSRB's regulatory rule book, continuing improvements to the Electronic Municipal Market Access (EMMA[®]) website and related market transparency systems, and enhancing our data capabilities as the central repository of municipal bond market data.

This year's budget, the details of which are outlined in the pages that follow, includes revenue of \$45 million compared to \$41 million budgeted for FY 2021 before an 18-month, 40% fee reduction to spend down excess reserves built up over several years. As a result, the MSRB operated at a substantial deficit last year. Despite historically high inflation, the FY 2023 budget holds expenses to a relatively modest 4.9% increase for the coming year. Importantly, the budget reflects our continued efforts to manage reserves and expenses in a manner that responsibly funds the important work of the MSRB to protect and strengthen our market and uphold the public interest.

Modernizing Market Regulation

Market practices are continually evolving, and as we navigate this shifting environment, we are conscious of the need to adapt and modernize our rules to ensure that they continue to promote fairness and efficiency in our market. A major emphasis for FY 2023 will be a coordinated review with the Securities and Exchange Commission (SEC) and Financial Industry Regulatory Authority (FINRA) of fixed income market structure. This includes advancing our proposal to improve market efficiency and transparency by shortening the time of trade reporting requirement to one minute, as well as examining the potential collection of pre-trade data in the fixed income markets. We will also continue to holistically review our rules and interpretive guidance to identify opportunities to streamline and update them so they continue to achieve their intended purpose to protect investors, issuers and the public interest. In doing so, we will seek to promote consistency with the rules of other regulators in light of modern market practices and feedback from market participants.

Providing Transparency Through Technology

In the coming year, we will continue to leverage our significant investment in cloud computing and modernizing our flagship EMMA website to make the market's official online source for data and disclosures easier to navigate and more intuitive to use. From our redesign of the MSRB website to make municipal market rules, research and resources easier to find, to our ongoing work to modernize EMMA, we are working to deliver technology solutions that users have asked for to improve its utility and ease of use. This includes actionable alerts to help monitor portfolios of securities and enhanced tools for improving issuers' ability to manage their continuing disclosures.

Improving the Quality of Market Data

As our market's central repository for data, the MSRB is focused on providing high-quality market data that enable comprehensive analysis of the municipal securities market and empower better decisions. In light of evolving technology and market practices across the fixed income markets, we plan to leverage our investments in technology to migrate market data into the cloud and to develop analytic tools and services to enhance the quality, accessibility and security of market data for investors, issuers and all market participants. An area of focus for the coming year is reviewing new opportunities to support the market's use of structured data by leveraging EMMA Labs, the MSRB's innovation sandbox, to advance transparency and the quality and comparability of data in the municipal securities market.

Upholding the Public Trust

To give America the confidence to invest in its communities through the municipal securities market, we must uphold the public's trust as a model SRO. We coordinate with fellow regulators on the particular issues and needs of the municipal securities markets and engage with a wide range of stakeholders to understand evolving market trends, best practices and challenges in this large and diverse market. We believe that markets function best with the broadest pool of diverse participants. In that spirit, we are expanding our touchpoints with minority-, women- and veteran-owned enterprises to understand their unique challenges and the opportunities to enhance the market's efficiency, fairness and access to capital.

Our promise to uphold the public trust also means that we are committed to prudent stewardship of the revenue we receive principally from regulated entities. FY 2023 will be the MSRB's first year under a new approach to fee setting that will annually adjust fee rates to account for prior year results. This new fee model will ensure the organization has sufficient annual revenue to fund operations while allowing it to more effectively and efficiently manage reserve levels as it delivers on its multi-year strategic plan.

This budget summary for FY 2023 is meant to answer stakeholders' call for greater transparency into the MSRB's annual budget and to demonstrate fiscal accountability to the public we serve. We hope you find it helpful to understand how the MSRB funds its operations and strategic investments and look forward to continuing to engage with you in the year ahead.

Sincerely,



Meredith Hathorn, Board Chair



Mark Kim, CEO

Fiscal Year 2023 Budget

The MSRB's budget supports the execution of its long-term strategic plan aimed at strengthening market fairness, efficiency and transparency. It is designed to fund statutory responsibilities, obligations and priorities identified and overseen by the Board of Directors to effectively promote a fair and efficient municipal securities market.

This year, the budget reflects the implementation of a new framework for establishing fee rates that is intended to ensure that the MSRB maintains a sustainable financial model that more closely aligns revenue with near-term expense needs and better maintains organizational reserves at target levels. As a result of this new approach, both FY 2023 revenues and expenses are budgeted at approximately \$45 million.

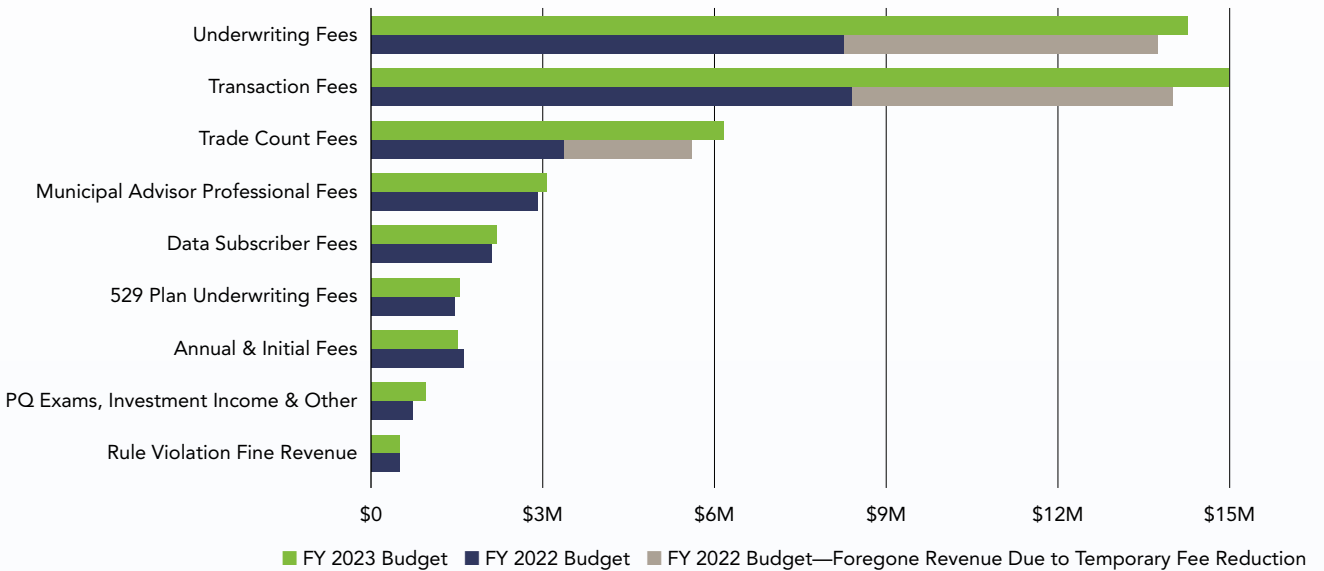
FY 2023 ANNUAL BUDGET

Revenue	FY 2022 Budget	FY 2023 Budget
Fee Revenue		
Underwriting Fees (40% temporary fee reduction in FY 2022)	\$8,250,000	\$14,256,000
Transaction Fees (40% temporary fee reduction in FY 2022)	8,400,000	14,980,000
Trade Count Fees (40% temporary fee reduction in FY 2022)	3,360,000	6,160,000
Municipal Advisor Professional Fees	2,900,000	3,074,000
Data Subscriber Fees	2,100,000	2,200,000
529 Plan Underwriting Fees	1,465,000	1,538,000
Annual Fees	1,590,000	1,490,000
Professional Qualifications Exam Fees	270,000	270,000
Late Fees	–	50,000
Initial Fees	25,000	20,000
Total Fee Revenue	\$28,360,000	\$44,038,000
Other Income		
Rule Violation Fine Revenue	500,000	500,000
Investment Income	459,000	626,000
Total Revenue	\$29,319,000	\$45,164,000
Operating Expenses		
Market Regulation	\$ 3,633,000	\$ 4,302,000
Market Transparency and Technology	22,000,000	22,816,000
Market Structure and Data	4,555,000	4,973,000
Governance and Leadership	5,141,000	5,564,000
Finance, Human Resources and Administration	4,349,000	4,824,000
External Relations	3,655,000	2,996,000
Total Operating Expenses	\$43,333,000	\$45,475,000
Operating Deficit	(\$14,014,000)	(\$311,000)
Systems Modernization Initiative (Funded from Board Designated Systems Modernization Fund)	\$5,550,000	\$5,355,000

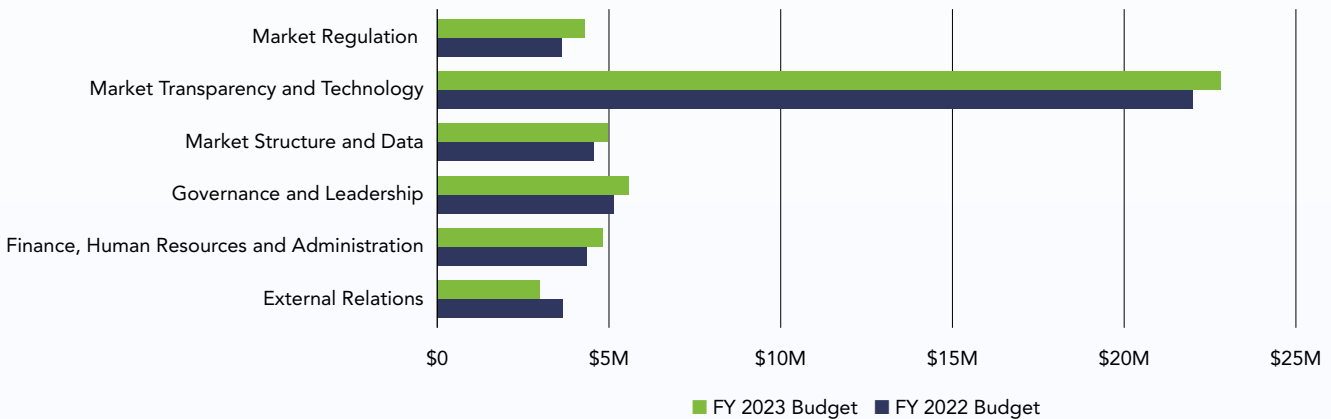
The majority of revenues come from four main sources—underwriting, transaction and trade count fees (collectively, “market activity fees”) assessed on brokers, dealers and municipal securities dealers (collectively, “dealers”) and municipal advisor professional fees assessed on municipal advisors. Like many organizations, the MSRB is impacted by the pressures of historically high inflation. The FY 2023 budgeted expense increase of 4.9% reflects the fiscal discipline to manage expenses in a manner that responsibly funds the important work of the organization. In FY 2023 the MSRB is also continuing its multi-year work to position the organization’s technology and data for the future through a strategic investment funded outside the operating expense budget by a designation of existing reserve funds.

The new fee rates on market activity fees and municipal advisor professional fees come at the conclusion of a temporary fee reduction on market activity fees over the past 18 months. This impacted the MSRB’s revenues by more than \$20 million over this period, including a nearly 30% reduction in the FY 2022 revenue budget. This temporary fee reduction significantly brought down reserves levels even as the MSRB continued to make strong progress on its priorities for regulatory, technology and data modernization.

BUDGETED REVENUE: FY 2023 VS. FY 2022 BUDGET



BUDGETED EXPENSES: FY 2023 VS FY 2022 BUDGET*

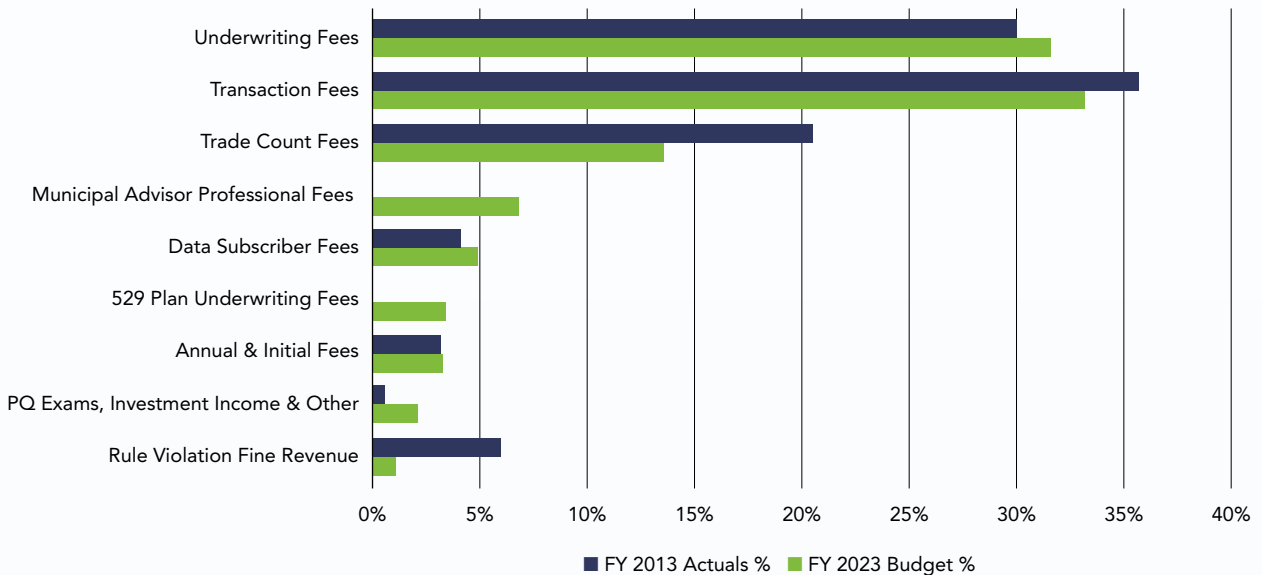


* Expenses presented by function

Revenues

FY 2023 revenues are budgeted at \$45.2 million, an increase of \$15.8 million from the prior year, reflecting the impact of new rates of assessment on certain fees (see next page) and the end of the temporary 40% reduction in the rates assessed on the MSRB's underwriting, transaction and technology (now called trade count) fees in FY 2022. Dealers pay the MSRB an underwriting fee for municipal securities purchased from an issuer as part of a primary offering. Dealers also pay the MSRB a transaction fee based on the par value of municipal securities sales and a per-transaction trade count fee. The MSRB has focused on ensuring that all regulated entities contribute equitably to fund their cost of being regulated and to recognize the benefits of operating in a fair and efficient market in alignment with the MSRB's mission. Over the last 10 years, the introduction and increase over time of the municipal advisor professional fee and the implementation of the 529 plan underwriting fee have contributed to the diversification of the MSRB's revenue sources and the reduction of the market activity fee contribution from 86% of total revenue in FY 2013 to 78% in FY 2023. Diversifying funding sources to ensure an equitable and sustainable balance of funding from regulated entities and other users of the MSRB's systems and services remains a key objective of the organization and an ongoing area of examination.

REVENUE DIVERSIFICATION BY % CONTRIBUTION OVER TIME: FY 2013 ACTUALS VS. FY 2023 BUDGET



FEE RATES (FY 2023)

Type of Fee	Rate
Underwriting Fee	\$0.0297 per \$1,000 par
Transaction Fee	\$0.0107 per \$1,000 par
Trade Count Fee	\$1.10 per trade
Municipal Advisor Professional Fee	\$1,060 per professional
529 Plan Underwriting Fee	\$0.005 per \$1,000 in plan assets
Annual Fee	\$1,000 per firm
Initial Fee	\$1,000 per firm
Professional Qualification Exam Fee	\$150 per exam

New MSRB Annual Rate Card Process

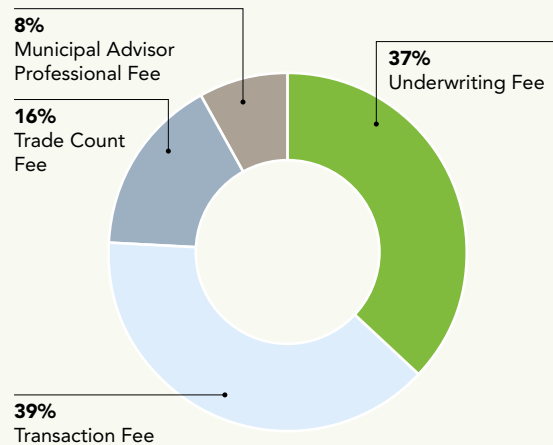
In support of its focus on financial stewardship, the MSRB evaluated its reserves levels, implemented an 18-month reduction in market activity fees to return excess reserves to the industry, and conducted a full review of its fee structure that included extensive engagement and outreach with stakeholders. The new annual rate card process and updated fee rates advance the MSRB's goals of maintaining fair and equitable fees among regulated entities, while also ensuring that the MSRB has sufficient revenue and organizational reserves to maintain its operations, without interruption, even in economic downturns and other unforeseen circumstances. The new approach of annual rate setting allows the organization to more effectively and efficiently manage its funding and reserves levels needed to fulfill its statutory mandate. Specifically, this process eliminates the potential for significant over-accumulation of reserves through timely rate adjustments mitigating the impact of market volatility on revenue while assuring sufficient funding of the MSRB's annual budget.

Current rates for the underwriting, transaction, trade count and municipal advisor professional fees will be operative for a 15-month period beginning October 1, 2022 through December 31, 2023. Future rates of assessment for these fees will be adjusted each year based on several inputs:

- Annual expense budget;
- Forecasted volume for the basis of each of the fees (e.g., bond volume for underwriting fee);

- Variances between actual and budgeted prior-year revenue for each of the fees;
- Reserves variances versus target; and
- Expected revenue from sources other than these fees.

Each fee rate will be determined based on the total amount of revenue the fee is expected to contribute and the expected volume of activity underlying the fee. The amount of revenue each fee contributes is designed to be a fair and equitable balance, in line with recent historical precedents. Specifically, for the fee rates in effect for FY 2023, the amount of revenue each fee is expected to contribute is allocated as follows:



The next Annual Rate Card is expected to become operative on January 1, 2024, with rates communicated in the fourth quarter of calendar year 2023.

See [Funding Policy](#) for additional information.

Industry Assessments

Assessments paid by dealer and municipal advisor firms vary greatly in their proportionate contribution to total annual assessments. The following Distribution of Fee Assessments table illustrates the range of total annual fee assessments paid by firms in 2021 (the most recently available audited results) by percentage of fees paid and by number of registrants. In 2021, 11% of registrant firms paid 91% of MSRB's annual assessments, while the remaining 89% of registrants paid 9% of the annual assessments, reflecting the fact that most fee revenue is based on level of activity in the market. The Board remains strongly committed to ensuring that all regulated entities that benefit from a well-functioning market made possible by the MSRB's oversight and substantial technology investments contribute fairly to those costs.

DISTRIBUTION OF FEE ASSESSMENTS*

Total Annual Assessments Paid	% of Annual Assessments Paid	# of FY 2021 Registrant Firms in Tier
\$1,000,001+	37%	7
\$500,001 - \$1,000,000	22%	9
\$100,001 - \$500,000	22%	37
\$10,001 - \$100,000	10%	120
\$5,001 - \$10,000	2%	97
\$2,501 - \$5,000	2%	190
\$1,001 - \$2,500	3%	504
\$0 to \$1,000	2%	635
Total	100%	1,599

* The most recently available audited results (FY 2021).

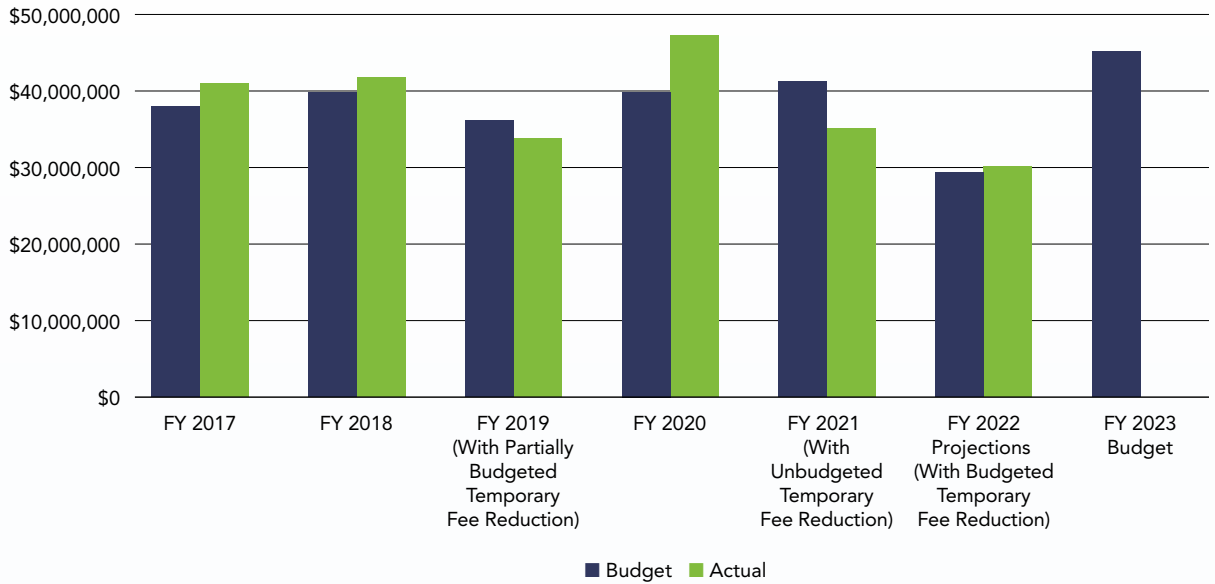
Budgeting for Revenue

Based on annual input from Board members and market data, the MSRB strives to make reasonable predictions when budgeting for revenue. Accurately predicting bond and trading volume for budgeting purposes remains challenging given economic factors, legislative actions, alternative sources of capital for issuers and other unknowns or unexpected events. As a result, given that market activity fees account for the majority of the MSRB's revenue, and combined with the MSRB's historically conservative approach to budgeting for revenue, variances from budget, sometimes significant, are not uncommon. This was particularly apparent in FY 2020, when revenue reflected increased market volatility and activity related to COVID-19.

Due to the timing of establishing the new annual rate card process and related rulemaking activities, the volume assumptions for the FY 2023 revenue budget were established at the beginning of 2022, which is much earlier than will be the case in future years. The FY 2023 budget continues a trend of a less conservative approach to budgeting for bond volume, with the budget based on bond volume of \$480 billion, a \$20 billion decrease from the record-high prior year budget of \$500 billion. The FY 2023 budget for trading par volume and number of transactions continue with assumptions used for the FY 2022 budget. Following historically high trading volume in 2020, trading volume decreased significantly in 2021, while the number of transactions has seen a sustained downward trend over the

last several years prior to 2022. Both trading par and trade count rebounded significantly in 2022. In FY 2022, revenue from outperforming trading activity offset a shortfall from bond volume falling below budget. Beginning in FY 2024, prior variances in revenue versus budget for market activity and municipal advisor professional fees will be incorporated into subsequent fee rate calculations for the related fee, a key enhancement as part of the MSRB’s new annual rate card process.

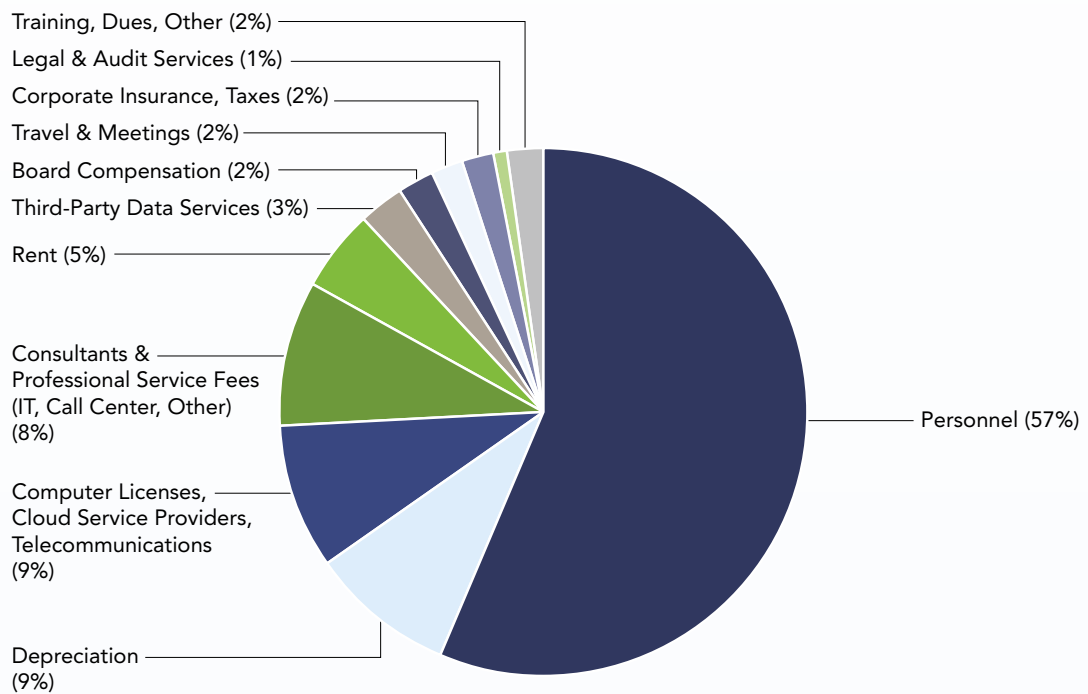
HISTORICAL REVENUE VARIANCES: BUDGET VS. ACTUAL



Expenses

FY 2023 expenses are budgeted at just under \$45.5 million, a 4.9% increase from the prior year budget, slightly higher than the MSRB's 10-year (2011-2021) compound annual operating expense growth rate of 4.2%. Inflationary pressures, particularly as it relates to personnel expense, were a key contributor to the budgeted expense increase. The MSRB's mission requires investment in people and technology to create informed regulation, build and operate technology systems and provide market data to protect and strengthen the municipal bond market. The MSRB's FY 2023 budget is designed to align with its statutorily mandated activities in support of the multi-year strategic plan established by the Board in 2021 and reflects the organization's continued commitment to positioning itself for the future through continued significant investments in technology and data.

FY 2023 BUDGETED EXPENSES: \$45,475,000*



* Expenses presented by category

Personnel is the single largest component of the MSRB's expense budget and its most important investment. In FY 2023, personnel expense represents 57% of the total operating expense budget compared to 53% of the total operating budget in FY 2022, reflecting the impacts of broader macroeconomic factors affecting staffing. The FY 2023 expense budget also incorporates a slight increase in overall organizational headcount providing greater flexibility to staff the highest priority areas as needed throughout the year.

Expenses by Activity

Market Regulation (\$4.3 million)

Modernized market regulation is a core element of the MSRB’s strategic focus. The 13 market regulation and professional qualifications staff are responsible for developing and maintaining the MSRB rules that establish responsibilities and standards for dealers affecting municipal securities transactions and for municipal advisors that engage in municipal advisory activities. These staff also maintain the MSRB’s professional qualifications program, create compliance resources for regulated entities and assist other securities regulators that examine for compliance with and enforce MSRB rules. In FY 2023, market regulation staff are focused on rulemaking related to market structure that will benefit price transparency, fairness and efficiency in the municipal securities market. Staff are also continuing the multi-year retrospective rule review to holistically consider MSRB rules and interpretive guidance and identify opportunities to streamline, update and promote consistency with rules of other regulators.

Market Transparency and Technology (\$22.8 million)

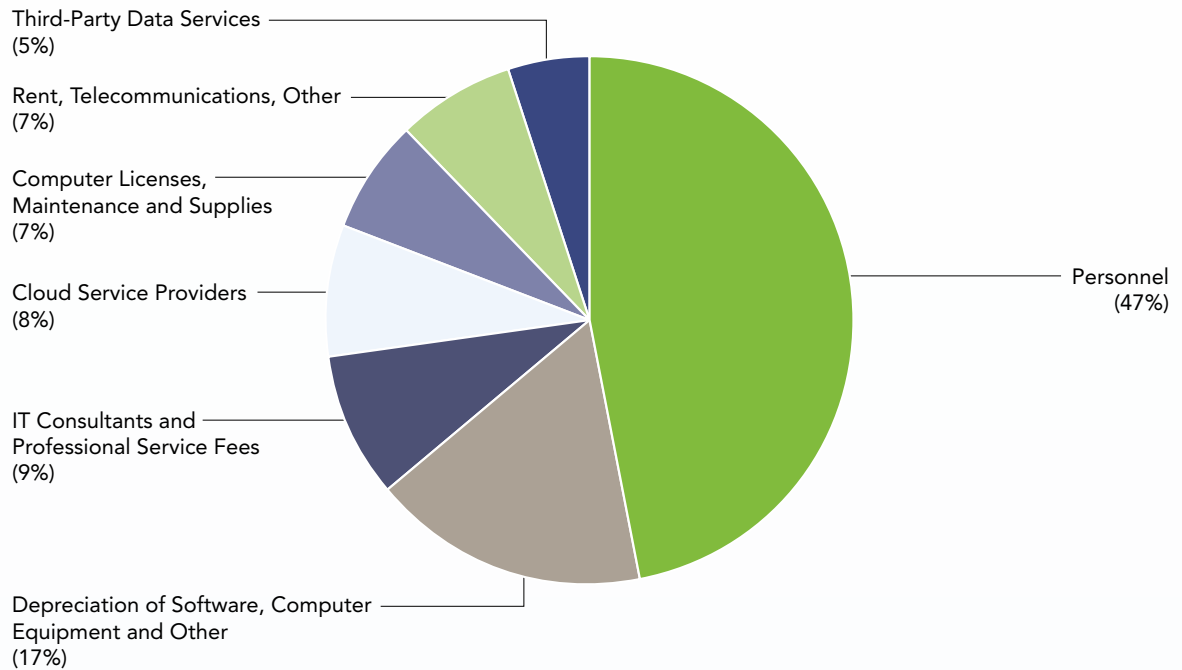
While “rulemaking” is part of the MSRB’s name, providing market transparency—and funding the technology and the professionals required to support it—is the organization’s largest expense and a fundamental focus since the launch of the EMMA website in 2009. The MSRB’s market transparency systems receive, process and disseminate vital market data and documents related to more than 6.8 million unique CUSIP numbers and are relied on by the municipal securities market 24 hours a day, seven days a week.

AT-A-GLANCE: MSRB MARKET TRANSPARENCY

Transparency Information and Data	Approximate Annual Volume
Electronic Municipal Market Access (EMMA)	40,975,000 page views
Trade Reporting – Real-Time Transaction Reporting System (RTRS)	8,092,000 trade reports
Short-Term Obligation Rate Transparency (SHORT)	278,000 data and documents
Primary Market Disclosures	21,000 documents
Continuing Disclosures	147,000 documents
Political Contribution Disclosures	2,400 filings
Regulator Surveillance Information – Regulator Web	12,000 page views

Regulators charged with enforcing MSRB rules—the SEC, FINRA, the Federal Reserve System and the Office of the Comptroller of the Currency—and other federal agencies, such as the Internal Revenue Service and the U.S. Department of Treasury, also depend on the MSRB’s ability to provide seamless access to real-time trade data and disclosure documents to support their work and analysis.

FY 2023 MARKET TRANSPARENCY AND TECHNOLOGY BUDGET ALLOCATION



In FY 2023, the MSRB’s 69 market transparency and technology staff remain focused on positioning the organization for the future through the multi-year systems modernization initiative while continuing to ensure the IT infrastructure of the MSRB operates in a secure and stable manner. The MSRB has been operating in a cloud computing environment for two years. The cloud environment, once fully modernized, will enable the organization to deliver faster, more reliable and more useful tools and information to the market. In addition to continuing long-term work on the systems modernization initiative, in FY 2023, market transparency and technology staff are also focused on continuing to deliver timely enhancements to usability and quality in the current market transparency systems to meet user needs. In addition, operational support staff, who handle an average of more than 700 contacts with stakeholders per month, continue to be the primary interface with the market participants who require assistance in using the MSRB market transparency systems.

Market Structure and Data (\$5.0 million)

The MSRB’s market structure and data areas, with 17 staff members, play key roles in advancing the organization’s strategic plan and related efforts to strengthen market efficiency and fairness. The market structure group’s initiatives include economic analysis and research regarding regulatory and transparency projects, such as studying and reporting on trends in municipal securities ownership and trading patterns. Internally, the market structure group works closely with market regulation to provide economic analysis that informs the regulatory approach to addressing an identified need for rulemaking and evaluates the cost of the regulation against the benefit to the market. This group also partners with market transparency and technology staff to guide strategic development and ongoing improvements of the EMMA website and analyzes data collected by the MSRB’s market transparency systems.

In addition, market data and analytics staff continue to execute the MSRB's data strategy, including operationalizing a new data platform that will serve as the foundation for the MSRB's modernized transparency systems. Staff also continues to partner with stakeholders to innovate in EMMA Labs, exploring how MSRB data can support the development of new tools and provide enhanced market insights.

Governance and Leadership (\$5.6 million)

The governance and leadership area consists of the Board of Directors and 11 staff members, including an executive leadership team and internal legal and governance staff providing support to the Board of Directors and the rest of the organization. A Board of 15 members exercises oversight of the operation and administration of the organization. The Board consists of a majority of public members, including issuers and investors, as well as members representing regulated entities, including municipal advisors, broker-dealers and banks. The Board, which convenes for multi-day meetings four times a year, makes policy decisions and authorizes rulemaking and market transparency initiatives.

Board committees—Audit and Risk, Finance, Governance, Nominating and Steering—perform work at the direction of the Board and assist in the administration of Board responsibilities and implementation of Board policy decisions. In addition, Board advisory groups allow for additional engagement with and feedback from a diverse group of municipal market professionals that informs activities across the organization.

Finance, Human Resources and Administration (\$4.8 million)

Day-to-day financial, risk and people management at the MSRB are essential internal functions conducted by 16 professional staff who ensure appropriate spending, staffing and rigorous application of internal controls while facilitating internal operations. Staff this year continues to focus on diversity, equity, and inclusion and corporate culture within the organization.



“ As we continue to advance our efforts toward new and improved technology solutions, we are also looking at how we can leverage these changes to optimize our expense management and fiscal accountability. For example, moving our technology infrastructure to the cloud not only allows the MSRB to avoid large, cyclical capital expenditures involved in maintaining on-premise and co-located data centers, it also provides us the flexibility to explore and innovate with stakeholders in EMMA Labs without making large or long-term financial commitments.”

Omer Ahmed, Chief Financial Officer

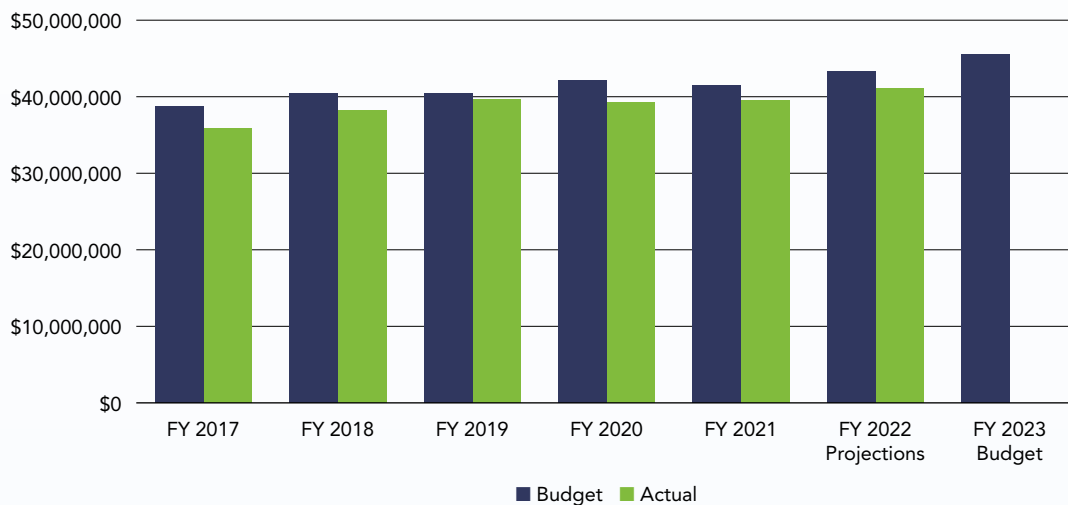
External Relations (\$3.0 million)

Staff across the MSRB, as well as the Board, engage and communicate with external stakeholders on a regular basis, and a core group of eight staff members is responsible for managing and supporting these activities. The MSRB’s external relations staff oversee virtual and in-person activities that connect the MSRB with its broad universe of stakeholders, including investors, issuers, regulated entities, fellow regulators and Congressional committees responsible for oversight of the MSRB. In FY 2023, staff is focused on facilitating discussions and more inclusive stakeholder outreach to inform the organization’s understanding of evolving market trends and on delivering enhancements to the new msrb.org website and educational content to stakeholders in support of the MSRB’s mission.

Controlling Expenses

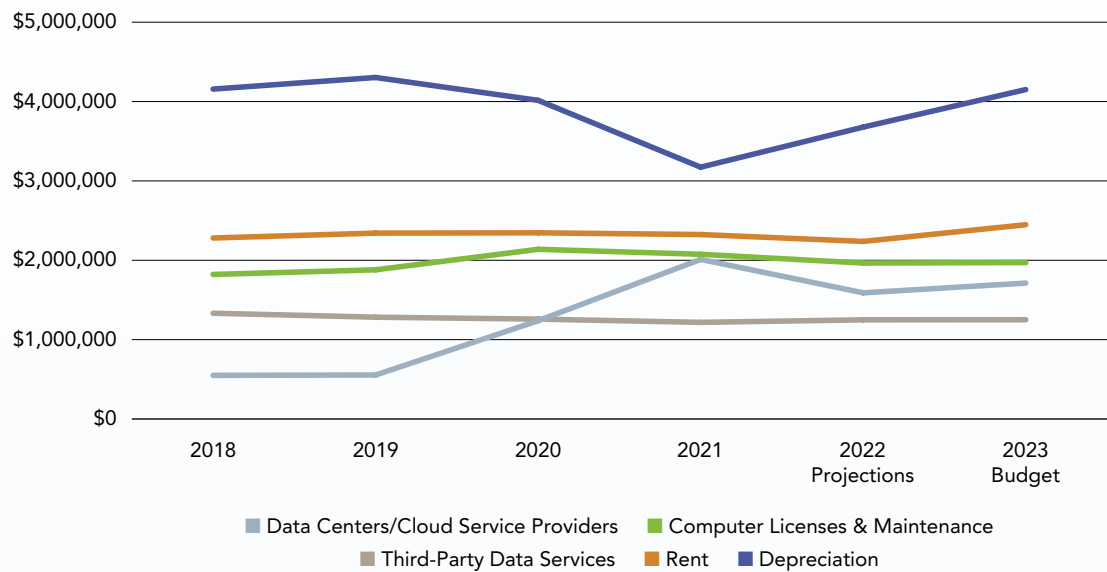
The MSRB has a 10-year (2011-2021) compound annual operating expense growth rate of 4.2%. The FY 2023 budget includes a 4.9% increase from the prior year budget as the organization’s remains committed to advancing its strategic plan while controlling expenses and managing the impact of external pressures such as high inflation. The Board and staff are committed to appropriately adjusting expenses to support the MSRB’s mission and strategic objectives in a responsible manner, both in developing an annual budget and in executing budgeted activities throughout the year, resulting in expenses that have historically and consistently come in under budgeted levels. Under the MSRB’s new annual rate card process, expense savings versus budget that may result in excess reserves levels will be included as an input when determining the future rates for market activity and municipal advisor professional fees, potentially offsetting these rates with MSRB’s expense savings.

HISTORICAL EXPENSE VARIANCES: BUDGET VS. ACTUAL



Trends over time for key operating expense categories reflect the impact of the MSRB’s careful financial oversight and the evolving nature of the MSRB’s operations. The five expense categories shown in the Key Historical Operating Expense Trends graph account for approximately 25% of the FY 2023 budget. Of note, in FY 2021, the MSRB began to operate its market transparency and other technology systems in the cloud following the transition away from on-premises data centers. Following the initial migration to the cloud, staff has optimized cloud operations, resulting in a lower expense in FY 2022 and FY 2023 compared to FY 2021. While cloud service provider expense is higher than prior data center leases, the increased expense in that category is offset by reduced capital expenditures for purchased data center hardware and software as well as reduced computer license and maintenance costs as the cloud service providers represent a much broader array of services compared to data centers. Increasing depreciation expense primarily reflects the recognition of expenses over time related to the development and enhancement of MSRB technology systems, including significant investments being made through the multi-year systems modernization initiative. The MSRB has also continued to carefully manage expenses in recent years in other key areas, such as rent and third-party data services.

KEY HISTORICAL OPERATING EXPENSE TRENDS

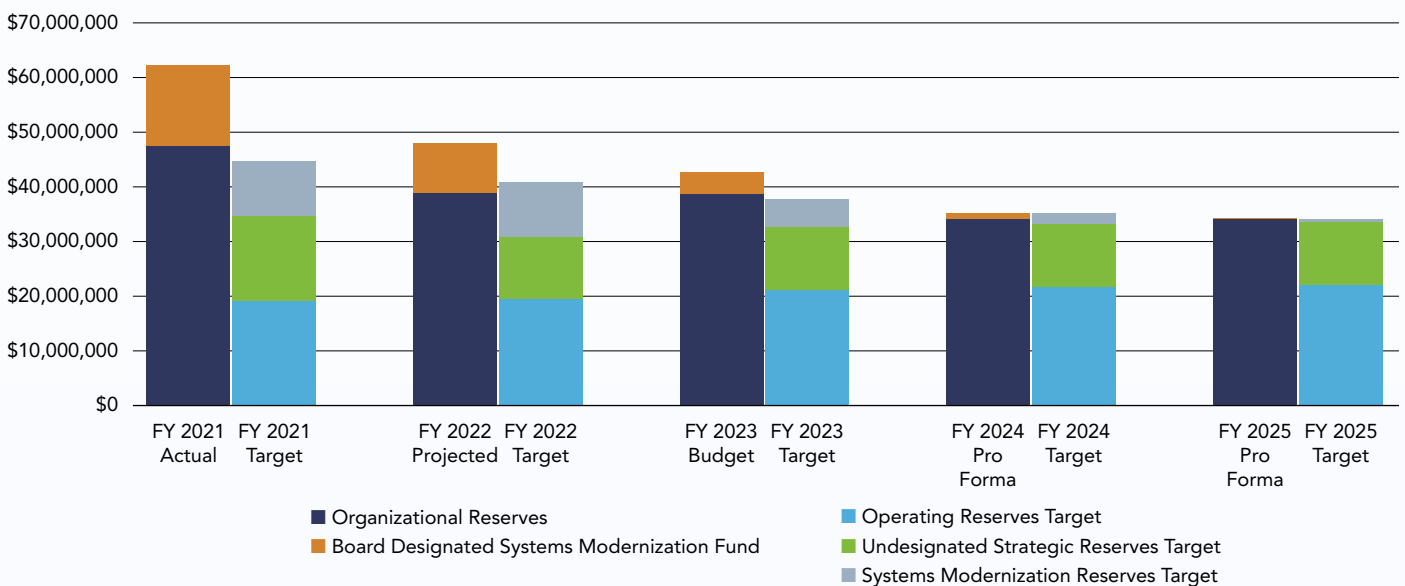


Reserves

Organizational reserves are maintained in accordance with the Board’s [funding policy](#) to ensure the MSRB has appropriate financial resources to support mission objectives, respond to regulatory requirements, pursue opportunities, enable the organization to be fiscally prepared regardless of economic conditions, provide the MSRB with the requisite level of liquidity to fund ongoing operations, and ensure the long-term financial sustainability of the organization. The Board establishes the target reserves level by conducting a detailed and comprehensive analysis of the liquidity needs in four categories intended to align with the Board’s funding policy objectives: working capital, risk reserves, strategic investment reserves and regulatory reserves. The Board reviews and refreshes the target reserves level each year as part of the annual budget process to respond to the organization’s changing risks and needs. To provide greater detail into the MSRB’s reserves construct, a breakdown of Organizational Reserves vs. Target gives a view into the relative components that make up the MSRB’s overall reserves target.

Working capital and risk reserves reflect liquidity needs related to managing day-to-day operations and responding to unexpected negative budget impact events. Together, these two categories equate to the Operating Reserves Target in the below graph. The Operating Reserves Target represents less than half of the MSRB’s annual operating budget and is designed as an operational risk contingency reserve. Strategic investment and regulatory reserves reflect liquidity needs to fund major long-term objectives, initiatives and capital investments beyond the scope of the annual operating budget, as well as unfunded mandates or regulatory and technology initiatives that may reasonably arise. As a self-regulatory organization, the MSRB does not receive funding through congressional appropriations and therefore the MSRB exercises both prudent financial stewardship and the fiscal discipline to ensure the continued regulation and operation of the municipal market. Together, these two categories equate to the Systems Modernization Reserves Target and the Undesignated Strategic Reserves Target in the below graph.

ORGANIZATIONAL RESERVES VS. TARGET



Over the past few years, the Board has strived to manage reserves levels in the face of ever-changing circumstances. In FY 2020, historically high levels of municipal issuance and overall high levels of market activity related to disruption associated with the COVID-19 pandemic resulted in FY 2020 revenue significantly outperforming the budget, driving up reserves beyond expected levels. As a result, in FY 2021, the Board approved an 18-month temporary fee reduction on market activity fees intended to reduce excess reserves by \$19 million. The Organizational Reserves vs. Target graph shows a significant reduction in the reserves balance between the end of FY 2021 and the end of FY 2022. Based on the timing of billing and cash receipts for market activity fees, reserves draw down due to the temporary fee reduction will continue through the first quarter of FY 2023.

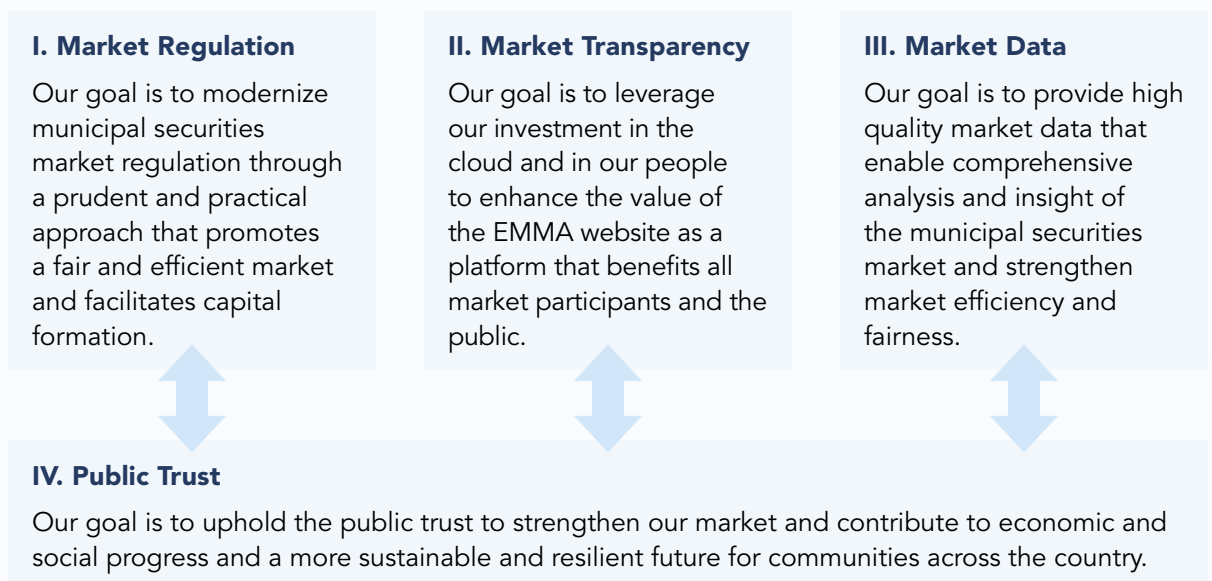
In FY 2022, the Board further considered reserves as part of its fee review, which culminated in an additional reduction in the reserves target for FY 2022 and the implementation of the new annual rate card process. Pro formas for future years—FY 2024 and FY 2025—reflect the MSRB’s intent to manage reserves to target levels through adjustments to fees as part of the annual rate card process. That means, if the MSRB ends any fiscal year above its reserve target levels, it will factor that excess as an input to the annual rate setting process for the next year.

Financial Transparency

The MSRB meets the highest standards for financial transparency. Financial information available on our website includes:

<u>Annual Report and Audited Financial Statements</u>	<u>Sources and Uses of Funding</u>	<u>MSRB Assessments and Fees</u>	<u>Funding Policy</u>	<u>Fine-Sharing Policy</u>	<u>Investment Policy</u>
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MSRB STRATEGIC GOALS



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.



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