

1. Why is the MSRB proposing to amend its rules on fees for regulated entities?

In support of its focus on financial stewardship, the MSRB Board has evaluated its reserve levels, implemented an [18-month reduction of certain 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 Board approved changes to its fee setting process in January 2022 that advance its goals of maintaining fair and equitable fees among regulated entities and reducing reserve targets, 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. A new approach of annual rate setting allows the organization to more effectively and efficiently manage its funding and reserve levels needed to fulfill its statutory mandate. Specifically, this process eliminates the potential for over accumulation of reserves through timely rate adjustments that abate the impact of excess revenue while assuring funding of the MSRB's annual budget. The amended Fiscal Year 2023 fee rates also will address an anticipated operating shortfall for the next fiscal year along with funding priorities to advance the mission of the MSRB.

2. What MSRB fees are impacted by the proposed rule change?

The MSRB's proposal would change the rates of assessment for the MSRB's Underwriting Fee, Transaction Fee, and Trade Count Fee (currently Technology Fee) described in [MSRB Rule A-13](#) (collectively, the "Market Activity Fees") and the MSRB's Municipal Advisor Professional Fee described in [MSRB Rule A-11](#). The revised rates would become operative as of October 1, 2022, and remain operative for 15 months through December 31, 2023.

3. What else would change under the MSRB's proposal?

The proposal establishes a new method by which the MSRB would incrementally modify each of the respective rates annually going forward, through the Annual Rate Card Process and the filing of corresponding proposed

rule changes. Following the initial 15-month operative period for the rates included in this proposed rule change, subsequent Annual Rate Cards would be operative for a 12-month period beginning on January 1 of a given year with new rates being communicated in advance. 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. Additionally, the proposed rule change makes certain technical amendments to MSRB Rules A-11, A-12 and A-13 primarily to enhance clarity and consistency.

4. What is not changing about the MSRB's fees under the Annual Rate Card Process?

The basis on which the MSRB assesses the Market Activity Fees and the Municipal Advisor Professional Fee remains the same. The Market Activity Fees will continue to be calculated based on dealer underwriting and transaction activity (as currently provided for in MSRB Rule A-13). The Municipal Advisor Professional Fee will continue to be calculated based on the number of covered professionals at a municipal advisory firm (as currently provided for in MSRB Rule A-11). Moreover, the Annual Rate Card Process will also maintain stability in terms of the relative contribution of revenue among regulated entities toward the MSRB's overall budget. By keeping these factors consistent, the Board seeks to maintain a fair and equitable balance of fees among regulated entities. No changes are being made to other MSRB fees, including the initial and annual registration fees, municipal funds underwriting fee and examination fee.

5. How would the Annual Rate Card Process improve upon the MSRB's current fee structure?

The new Annual Rate Card Process allows the MSRB to predictably and incrementally adjust the rates of assessment for the Market Activity Fees and the Municipal Advisor Professional Fee each year. It enables the MSRB to quickly return any additional revenue generated due to volatility in market activity, which in the past has led to excess reserves and the need for more significant and ad hoc temporary fee reductions or rebates. The Annual Rate Card Process provides an annual mechanism for the MSRB to return excess fee revenue in the immediately following

year by decreasing the rate of the related fee. For example, if primary market/underwriting activity outperforms the MSRB's revenue budget in 2023, the Underwriting Fee rate will be reduced proportionally in 2024 to return the excess revenue assessed. Conversely, if there is a shortfall in the budgeted versus actual revenue generated for the respective fee, the shortfall will be captured in the next year's rate.

6. What are the amended fee rates in the proposed rule change?

The following proposed rates of assessment would become operative as of October 1, 2022, under the proposed rule change.

	Basis	Current Rates*	Proposed Rates	Percent Increase
Underwriting Fee	Per \$1,000 Par Underwritten	\$0.0275 (decreased in 2016)	\$0.0297	8%
Transaction Fee	Per \$1,000 Par Transacted	\$0.0100 (unchanged since 2011)	\$0.0107	7%
Trade Count Fee (currently Technology Fee)	Per Trade	\$1.00 (unchanged since 2011)	\$1.10	10%
Municipal Advisor Professional Fee	Per Covered Professional	\$1,000 (phased increase effective FY 2021)	\$1,060	6%

* The current rates listed do not indicate the temporary fee reductions for the Underwriting Fee, Transaction Fee, and Trade Count Fee (currently Technology Fee) that will expire on September 30, 2022.

7. Why are some fees increasing more than others?

The proposed rates for October 1, 2022, through December 31, 2023, are based on (i) projected volume levels for each fee category and (ii) the relative contribution of each fee to overall revenue, which remains consistent with actual performance over the past two years. This results in the overall proportional revenue target for each fee category remaining consistent and the rate for the individual fee categories differing based on anticipated annual volume. If the actual revenue assessed during the upcoming period beginning October 1, 2022, is higher than expected because actual market activity and volume levels outperform expectations, then that

excess revenue will be returned through reduced rates in the respective fee category in the 2024 Annual Rate Card beginning January 1, 2024.

If the level for a particular fee category underperforms during a period, then the fee rate will be increased proportionally in the following year to recapture the lost revenue for that category, subject to certain maximum caps. This recapture of revenue is intended to ensure the MSRB continues to maintain a fair and equitable balance in its fees among regulated entities and ensure the adequate funding of the MSRB's mission and statutory mandate. The MSRB is committed to sound fiscal discipline not only in its expenses, but in the utilization of its reserves. If there is an extraordinary event where there may be sustained market underperformance across all categories, the MSRB may consider employing its reserves to stabilize revenues and rates within fee categories to provide the market with stability and predictability, as needed.

8. What is driving the fee increases in FY 2023?

The MSRB has been projecting a structural budget deficit in recent years. With an annual growth rate of approximately 4.2% per year on expenses, the MSRB has been a prudent and disciplined steward of its financial resources. This is further demonstrated by the Board's significant reduction of reserve level targets and the implementation of the largest return of reserves to the market in MSRB's history. The 18-month temporary fee reduction of Market Activity Fees will give back approximately \$19 million in total by September 30, 2022. The proposed fee increases that would become operative on October 1, 2022, include a one-time adjustment to effectively balance MSRB's revenue and expense budgets next year and for future years.

9. How does the Annual Rate Card approach work?

Future rates of assessment for the Market Activity Fees and the Municipal Advisor Professional Fee will be adjusted each year through a uniform Annual Rate Card Process.

Rates will be set based on several inputs:

- Annual expense budget;
- Forecasted volume for the basis for each of the Market Activity Fees and the Municipal Advisor Professional Fee;
- Variances between actual and budgeted prior-year Market Activity and Municipal Advisor Professional Fees;
- Reserves variances versus target; and
- Expected revenue from sources other than the Market Activity Fees and Municipal Advisor Professional Fee.

Each fee rate will be determined based on the total amount of revenue each 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.

10. Is there a cap on how much fees could increase or decrease in a given year?

Fees will be subject to certain maximum caps on increases from year-to-year, but there are no limits on potential fee decreases.

11. What factors could cause fees to increase or decrease in the coming years?

As previously discussed, rates for Market Activity Fees and the Municipal Advisor Professional Fee can increase or decrease in a given year. Factors that would cause all rates to increase would be an increase in MSRB annual expenses, replenishing reserves to target levels or planned increases to reserve levels. Such increases would impact all rates proportionally with respect to the total amount of revenue each fee is expected to contribute. Individual fee rates may independently increase or decrease depending on the anticipated or actual volume levels or market activity

performance. Even if individual rates fluctuate, the overall amount of revenue contributed by the Market Activity Fees and Municipal Advisor Professional Fee will remain proportionate, fair and equitable.

12. When does the MSRB anticipate modifying these rates again?

Consistent with the Board's adoption of the Annual Rate Card Process, which will adjust these rates annually on a calendar year basis going forward, the MSRB currently anticipates that it will seek to amend the rates of assessment for the Market Activity Fees and the Municipal Advisor Professional Fee near the end of calendar year 2023. That proposed rule change would propose rates for calendar year 2024 to be operative as of January 1, 2024, through December 31, 2024.

13. What happens next?

The MSRB submitted the proposed rule change to the SEC for immediate effectiveness, as is the typical practice for fee filings. The MSRB welcomes stakeholder feedback. Stakeholders have an opportunity to comment on the proposed changes before they are scheduled to become operative on October 1, 2022.

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 resource should be read in conjunction with MSRB rules and interpretations as it does not provide an exhaustive list of considerations for ensuring compliance with the applicable rule(s). The complete text of all MSRB rules and interpretations is available at <http://MSRB.org/Rules-and-Interpretations/MSRB-Rules.aspx>.