



Municipal Securities Rulemaking Board

# Updates on Federal Legislation and Regulations

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Municipal Securities Rulemaking Board

## Overview of the MSRB

# About the MSRB



- A self-regulatory organization created by Congress in 1975
- Protects investors, municipal entities including issuers of municipal securities, obligated persons and the public interest
- Promotes a fair, transparent and efficient municipal market

# How the MSRB Fulfills its Mission

- Regulates municipal securities dealers and municipal advisors
- Operates market transparency systems including the **EMMA®** website
- Conducts education, outreach and market leadership

# MSRB Rulemaking Process



## MSRB Identifies an Issue in the Municipal Market

- By monitoring the market and engaging with municipal market participants, the MSRB learns of issues that may warrant rulemaking.
- The MSRB discusses alternatives to rulemaking to address the issue.
- The MSRB incorporates a rigorous economic analysis of any regulatory approach it considers proposing.



## MSRB Requests Public Comment on a Rule Proposal

- If the MSRB determines an issue warrants potential rulemaking, the MSRB will publish a request for comment on its website to solicit public input on its rule proposal.
- In some cases, the MSRB may publish a concept proposal to seek comment on possible ways to address an issue in advance of developing a rule proposal.



## MSRB Discusses Comments Received

- All comments received are published on the MSRB's website.
- The MSRB reviews and discusses all comments received.
- The MSRB may amend the rule proposal in response to issues raised by commenters.



## MSRB Files Rule Proposal with the SEC

- The MSRB is subject to oversight by the SEC.
- The MSRB files rule proposals with the SEC for review.



## SEC Publishes Rule Proposal in Federal Register for Public Comment

- The SEC typically publishes the MSRB's proposal in the Federal Register for an additional period of public comment.
- The MSRB responds to comments received during this SEC comment period.
- The MSRB may amend its rule proposal based on comments received.



## SEC Approves MSRB Rule

- If approved by the SEC, an MSRB rule proposal becomes an MSRB rule that has the force and effect of federal law.
- MSRB rules go into effect on a specified date.



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## The MSRB and 529 Plans

# The MSRB and 529 Plans

- Interests in 529 plans established by states are municipal fund securities under federal securities laws
- The MSRB regulates the activities of:
  - brokers, dealers and municipal securities dealers (“dealers”) that act in the capacity of underwriters of 529 plans and dealers that sell interests in 529 plans
  - municipal advisors to 529 plans

# Key MSRB Rules Applicable to 529 Plans

- Key MSRB rules applicable to activities of dealers to 529 plans include:
  - MSRB Rule G-17: Conduct of Municipal Securities and Municipal Advisory Activities\*
  - MSRB Rule G-21: Advertising
  - MSRB Rule G-32: Disclosures in Connection with Primary Offerings
  - MSRB Rule G-45: Reporting of Information on Municipal Fund Securities

\*Applicable to municipal advisors to 529 plans





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# Reporting of Information on Municipal Fund Securities

# The EMMA<sup>®</sup> Website

- **The MSRB's Electronic Municipal Market Access (EMMA<sup>®</sup>) website**

- Official repository for trade data and disclosure information on virtually all municipal bonds
- Provides free public access to municipal market information, including:
  - 529 plan disclosure documents
  - Official statements
  - Continuing disclosures

Security Description	Maturity Date	Interest Rate (%)	Price Average	Yield Average	Number of Trades
PENNSYLVANIA ECONOMIC DEV FING AUTH-PHG SYS REV-CAPITOL REGION PHG SYS-SB-SER (12/28/2013)	01/01/2034	5	99.195	5.004	70
PORT AUTH N.Y. & N.J. CONS-SOV HUNDRED FORTY-SEVENTH (04/15/2027)	04/15/2027	4.75	99.446	4.795	38
NEW JERSEY ST.TPK.AUTH.TPK REV-SER	01/01/2038	5	102.9	4.465	32

[emma.msrb.org](http://emma.msrb.org)

# Overview of MSRB Rule G-45

- On February 21, 2014, the Securities and Exchange Commission approved MSRB Rule G-45, on reporting of information on municipal fund securities
- Effective February 24, 2015, underwriters are required to electronically submit Form G-45, on a semi-annual or in the case of performance data, annual basis
- The first submission of Form G-45 is due to EMMA by August 30, 2015
  - Covers the reporting period of January 1, 2015 - June 30, 2015

## 529 Plan Data Usage

- The data collected will provide the MSRB with more accurate and complete information in order to effectively carry out its regulatory responsibilities
- Specifically, the data will assist in:
  - evaluating and comparing plans
  - evaluating and comparing investment options
  - determining if further rulemaking is appropriate
  - informing risk-based examinations
- Information collected under MSRB Rule G-45 will not be displayed on EMMA without a subsequent rule filing and SEC approval

# Who Must Submit Form G-45

- Brokers, dealers or municipal securities dealers that are underwriters under SEC Rule 15c2-12(f)(8) are required to submit the required information to EMMA
  - Program managers, their affiliates, including primary distributors, and/or their contractors, may fall within the statutory definition of underwriter
    - Facts and circumstances analysis
    - MSRB does not contemplate that a state sponsor of a 529 plan would be an underwriter
  - The obligation may be satisfied if any one of multiple underwriters submits the required information
    - Each submitter must indicate on Form G-45 the identity of each underwriter on whose behalf the information is submitted

# Form G-45 Contents

- Information required to be submitted on Form G-45 includes three main categories:
  - Plan Descriptive Information:
    - Name of the state, plan, underwriter(s) and program manager
    - Plan website address and type of marketing channel (whether advisor or direct sold)
  - Aggregate Plan Information:
    - Total assets, contributions and distributions
  - Investment Option Information:
    - Name and type of investment option, inception date of the investment option, total assets, asset class and allocation information, performance, among other data elements

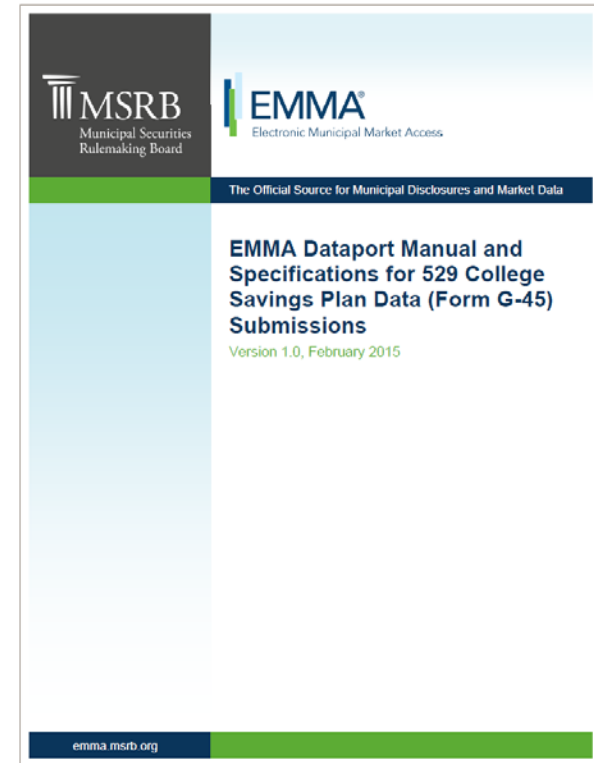
# Form G-45

## Timing and Manner of Submission

- Form G-45 must be submitted no later than 60 days following the end of each semi-annual reporting period ending on June 30 and December 31
  - Exception: Performance information must be submitted annually by no later than 60 days following the end of the reporting period ending December 31
- Form G-45 must be submitted electronically to EMMA

# Form G-45 Manual and Test Environments

- The Form G-45 Manual provides instructions and specifications for submitting Form G-45 to EMMA
- Submitters may submit Form G-45 via web interface or via an automated computer-to-computer interface
- MSRB has also created beta test environments to allow submitters to test and ensure proper programming and configuration of their applications for making Form G-45 submissions
- The Form G-45 Manual and the beta test environments are currently available at [www.msrb.org](http://www.msrb.org)







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# Municipal Advisor Regulatory Framework

# Regulatory Framework

- MSRB is developing a comprehensive regulatory framework that includes:
  - Development of rules governing the professional conduct of municipal advisors
  - Establishment of a professional qualifications program that ensures municipal advisors are qualified in their duties
  - Extensive education and outreach to municipal advisors on duties and obligations

# MSRB Draft Rule G-42: Duties of Non-Solicitor Municipal Advisors

- MSRB preparing to file rule filing with the SEC
- Aims to ensure that municipal advisors are fulfilling their fiduciary duty to their municipal entity clients, and their duty of care toward all clients
- Duties under the draft rule include:
  - Standards of conduct
  - Disclosure of conflicts of interest
  - Documentation of the relationship
  - Recommendations
  - Principal transactions
  - Prohibitions related to compensation, fees and other activities

# MSRB Draft Rule G-37: Political Contributions

- MSRB plans to file draft amendments to MSRB Rule G-37 that seek to extend pay-to-play provisions of the existing rule for dealers to municipal advisors
  - Two-year ban on business if certain contributions made
  - Prohibition on soliciting and coordinating certain contributions
  - Disclosure of certain contributions on **EMMA**®
  - Special provisions for dealer-municipal advisors and dealers or municipal advisors who retain municipal advisor third-party solicitors

# MSRB Draft Rule G-20: Gifts and Gratuities

- Draft amendments to MSRB Rule G-20 would apply existing gifts and gratuities rule to municipal advisors
  - \$100 limit per person per year in relation to the municipal securities or advisory activities of the recipients' employer
  - Exclusion from the \$100 limit of:
    - “Normal business dealings” and
    - Contracts of employment and contracts for compensation for services

# MSRB Rule G-44: Supervisory and Compliance Obligations

- Reasonably designed supervisory system
  - Written supervisory procedures
  - Designation of one or more municipal advisor principals responsible for supervision
- Compliance processes
  - Reviews of compliance policies and supervisory procedures
- Designation of a single chief compliance officer
- Annual certification by chief executive officer

**EFFECTIVE APRIL 23, 2015**

# MSRB Rule G-3: Professional Qualification Standards for Municipal Advisors

- Amendments to MSRB Rule G-3 create two classifications of municipal advisors:
  - Representatives and principles
  - All persons deemed municipal advisor representatives required to take and pass the Municipal Advisor Representative Examination (Series 50)

**EFFECTIVE APRIL 27, 2015**

# Participation in Municipal Advisor Pilot Exam

- Content outline for the Municipal Advisor Representative Examination (Series 50) will be filed with the SEC shortly
- Goal is to administer the municipal advisor pilot exam this year
  - MSRB seeking volunteers to take the **Municipal Advisor Pilot Exam**



Click the “Email Updates” link on [www.msrb.org](http://www.msrb.org) to sign up for email updates about the pilot exam



# MSRB Municipal Advisor Rulemaking

Rule	Latest Notice	Status
Supervision and compliance obligations (Rule G-44)	<a href="#">MSRB Notice 2014-19</a>	Effective April 23, 2015
Core standards of conduct (Rule G-42)	<a href="#">MSRB Notice 2014-12</a>	Preparing SEC rule filing
Political contributions (Rule G-37)	<a href="#">MSRB Notice 2014-15</a>	Preparing SEC rule filing
Gifts and gratuities (Rule G-20)	<a href="#">MSRB Notice 2014-18</a>	Preparing SEC rule filing
Professional qualifications (Rule G-3)	<a href="#">SR-MSRB-2014-08</a>	Pending SEC review

# Contact the MSRB

## MSRB Online

[msrb.org](http://msrb.org)

[emma.msrb.org](http://emma.msrb.org)

## MSRB Support

703-797-6668

[MSRBsupport@msrb.org](mailto:MSRBsupport@msrb.org)

## MSRB Email Updates

– Subscribe at [msrb.org](http://msrb.org)

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