MSRB
Municipal Securities Rulemaking Board

MSRB Municipal Advisor Regulatory Updates

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April 17, 2016

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

Background

- Congress granted the MSRB its rulemaking authority in the Securities Exchange Act of 1934, which was amended by the Dodd-Frank Act
- The Dodd-Frank Act expanded the MSRB's jurisdiction to include the regulation of municipal advisors and municipal advisory activities and the protection of municipal entities
  - Included a broad definition of municipal advisor
  - Deemed municipal advisors to owe a fiduciary duty to their municipal entity clients

Municipal Advisor 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

Municipal Advisor Regulatory Framework
(continued)

With the adoption of the SEC Final Rule, the MSRB has prioritized the development of municipal advisor rules in key areas:

MSRB Rule	Notice	Effective Date
Supervision and Compliance Obligations *(Rule G-44)*	MSRB Notice 2014-19	April 23, 2015
Professional Qualifications *(Rule G-3)*	MSRB Notice 2015-04	April 27, 2015
Gifts and Gratuities (*Rule G-20*)	MSRB Notice 2015-21	May 6, 2016
Core Standards of Conduct *(Rule G-42)*	MSRB Notice 2016-03	June 23, 2016
Pay-to-Play *(Rule G-37)*	MSRB Notice 2016-06	August 17, 2016

Municipal Advisor Professional Qualification Standards

- The Dodd-Frank Act charged the MSRB with setting professional qualification standards for municipal advisors
- Persons associated with municipal advisors must take and pass the Municipal Advisor Representative Qualification Examination (Series 50)
  - Professional qualification exams measure a candidate's knowledge of business activities and applicable regulatory requirements
- The MSRB will provide associated persons with a one-year grace period from the effective date of the permanent exam (TBA) to take and pass the Series 50 exam

MSRB Rule G-44 – Supervisory and Compliance Obligations of Municipal Advisors

- Follows a primarily principles-based approach to supervision and compliance
- Requires:
  - Internal supervisory system and compliance processes
  - Designation of municipal advisor principal(s) and a chief compliance officer (CCO)
  - Annual certification of compliance processes

MSRB Rule G-42 – Duties of Non-Solicitor Municipal Advisors

- Sets forth basic duties and responsibilities of a municipal advisor when providing advice on municipal securities transactions and municipal financial products to municipal entities and obligated person clients
- Standards of Conduct:
  - Fiduciary duty owed to clients that are municipal entities
  - Duty of care owed to clients that are municipal entities and obligated persons
- "Municipal entity" and "obligated persons" are defined in accordance with Section 15B of the Securities and Exchange Act of 1934 and related regulations

MSRB Rule G-20 – Gifts, Gratuities and Non-Cash Compensation

- Generally, amendments to MSRB Rule G-20:
  - Extend the relevant provisions to gifts given in relation to the municipal advisory activities of the recipient's employer
  - Extend the relevant provisions to municipal advisors and their associated persons
  - Streamline and codify applicable interpretive guidance
  - Prohibit a "regulated entity" from seeking or obtaining reimbursement of certain entertainment expenses
    - "Regulated entities" means brokers, dealers, municipal securities dealers and municipal advisors

MSRB Rule G-37 – Political Contributions and Prohibitions on Municipal Securities Business

- Amendments extend the standards embodied in existing MSRB Rule G-37, that have long applied to dealers, to municipal advisors
- Generally, amendments to Rule G-37:
  - Prohibit a municipal advisor from engaging in municipal advisory business with a municipal entity for a two-year period following a triggering contribution;
  - Prohibit municipal advisors and their municipal advisor professionals from soliciting contributions or coordinating contributions to a municipal entity official with which the municipal advisor is engaging or seeking to engage in municipal advisory business;
  - Require a nexus between the ability of the municipal entity official to influence the awarding of business to the municipal advisor and the contributions received by the official
- Municipal advisor professionals may contribute up to $250 *per election* to a municipal entity official for whom he or she is entitled to vote

MSRB Education Center

MSRB EDUCATION CENTER

- Single location for free educational resources on the municipal market
- Three easy ways to learn about the municipal market:



Videos



Fact Sheets



Podcasts

- msrb.org/EducationCenter.aspx
- *Session materials include a one-page handout on issuer-related resources*

Checklist

- ✓ Do you understand how municipal advisor obligations differ from underwriter obligations?
  - Consult MSRB Resources for Issuers and the MSRB Education Center at http://msrb.org/EducationCenter to learn more
- ✓ Is your client's municipal advisor registered?
  - Verify registration at www.msrb.org/Registrants.aspx?listType=MA
- ✓ As of its effective date (June 23, 2016), are issuers receiving the appropriate documentation / disclosures required under MSRB Rule G-42?
  - Conflicts of interest
  - Material legal or disciplinary events
  - Documentation of the relationship
    - Compensation; scope of activities; legal and disciplinary events; termination / withdrawal

MSRB Contact Information

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