

Rule A-3 Board Membership: Composition, Elections, Removal, Compensation



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(a) *Number and Representation.* The Board shall consist of 15 members who are individuals of integrity and knowledgeable of matters related to the municipal securities markets and are:

(i) **Public Representatives.** Eight individuals who are independent of any municipal securities broker, municipal securities dealer, or municipal advisor, of which:

- (1) at least one shall be representative of institutional or retail investors in municipal securities;
- (2) at least one shall be representative of municipal entities; and
- (3) at least one shall be a member of the public with knowledge of or experience in the municipal industry; and

(ii) **Regulated Representatives.** Seven individuals who are associated with a broker, dealer, municipal securities dealer, or municipal advisor, of which:

- (1) at least one shall be associated with and representative of brokers, dealers or municipal securities dealers that are not banks or subsidiaries or departments or divisions of banks;
- (2) at least one shall be associated with and representative of municipal securities dealers that are banks or subsidiaries or departments or divisions of banks; and
- (3) at least two shall be associated with and representative of municipal advisors and shall not be associated with a broker, dealer or municipal securities dealer.
- (4) **Affiliations.** Two persons associated with the same broker, dealer, municipal securities dealer or municipal advisor shall not serve as members of the Board at the same time

(b) *Nomination and Election of Members; Vacancies.*

(i) Elections.

(1) Members shall be nominated and elected in accordance with the procedures specified by this rule. The 15 member Board shall be divided into four classes, one class being comprised of three members and three classes being comprised of four members, who serve four-year terms. The classes shall be as evenly divided in number as possible between public representatives and regulated representatives. The terms will be staggered and, each year, one class shall be nominated and elected to the Board. The terms of office of all members of the Board shall commence on October 1 of the year in which elected and shall terminate on September 30 of the year in which their terms expire. A member may not serve more than six years. No broker-dealer representative, bank representative, or municipal advisor representative may be succeeded in office by any person associated with the broker, dealer, municipal securities dealer, or municipal advisor with which such member was associated at the expiration of such member's term except in the case of a Board member who serves a partial term as a result of filling a vacancy pursuant to paragraph (b)(iii) of this rule and succeeds himself or herself in office.

(2) Candidates for Board membership shall be nominated by a committee that meets the composition requirements described in Rule A-6.

(ii) Annual Elections.

(1) The committee responsible for nominations shall publish a notice by means reasonably designed to provide broad dissemination to the public soliciting applicants for the positions on the Board to be filled in such year.

(2) The notice shall require that an application include the category of representative for which the person is applying, the person's background and qualifications for membership on the Board and, if applicable, information concerning such person's association with any broker, dealer, municipal securities dealer, municipal advisor, municipal entity, or institutional investor. The committee responsible for nominations shall accept applications pursuant to such notice for a period of at least 30 days. Any interested member of the public, whether or not associated with a broker, dealer, municipal securities dealer, municipal advisor, municipal entity, or institutional investor, may submit an application to the committee.

(3) The committee responsible for nominations shall nominate one person for each of the Board positions to be filled and shall submit the nominees to the Board for approval. In making such nominations, the committee shall take into consideration such factors as, without limitation, diversity in the geographic location, size and type of brokers, dealers, municipal securities dealers, and municipal advisors represented on the Board, as well as the background, experience, and knowledge of the municipal securities market of the public Board members. Each nomination shall include the category of representative for which such person is nominated, the nominee's qualifications to serve as a member of the Board, and information concerning the nominee's association, if any, with a broker, dealer, municipal securities dealer, municipal advisor, municipal entity, or institutional investor. The names of the nominees shall be confidential.

(4) The Board shall accept or reject each nominee submitted by the committee responsible for nominations. If the Board rejects a nominee, the committee shall propose another nominee for Board consideration.

(5) The names of all applicants who agreed to be considered by the committee responsible for nominations shall be made available on the Board's website no later than one week after the

announcement of the names of new Board members.

(iii) Elections to Fill Vacancies. Vacancies on the Board shall be filled by vote of the members of the Board. Any person so elected to fill a vacancy shall serve for the unexpired portion of the term, or any part thereof as designated by the Board at the time of election, for which such person's predecessor was elected, provided that no member may serve for more than six years, including any partial term.

(c) Resignation, Disqualification and Removal.

(i) A member may resign from the Board by submitting a written notice of resignation to the Chair of the Board which shall specify the effective date of such member's resignation. In no event shall such date be more than 30 days from the date of delivery of such notice to the Chair. If no date is specified, the resignation shall become effective immediately upon its delivery to the Chair.

(ii) If a member's change in employment or other circumstances results in a conflict with the requirements of section (a) of this rule the member shall be disqualified from serving on the Board as of the date of the change. If the Board determines that a member's change in employment or other circumstances does not result in disqualification pursuant to this paragraph but changes the category of representative in which the Board member serves, the member will remain on the Board pending a vote of the other members of the Board, to be taken within 30 days, determining whether the member is to be retained.

(iii) If the Board finds that any member has willfully violated any provision of the Act, any rule or regulation of the Commission thereunder, or any rule of the Board or has abused his or her authority or has otherwise acted, or failed to act, so as to affect adversely the public interest or the best interests of the Board, the Board may, upon the affirmative vote of two-thirds of the whole Board (which shall include the affirmative vote of a majority of the public representatives and a majority of the regulated representatives), remove such member from the Board.

(d) Compensation and Expenses. The Board may provide for reasonable compensation of the MSRB Chair, committee Chairs, members of the Board, and members of any committee, including committees made up entirely of non-Board members. The Board also may provide for reimbursement of actual and reasonable expenses incurred by such persons in connection with the business of the MSRB.

(e) For purposes of this rule:

(i) the term "Dodd-Frank Act" means the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

(ii) the term "independent of any municipal securities broker, municipal securities dealer, or municipal advisor" means that the individual has "no material business relationship" with any municipal securities broker, municipal securities dealer, or municipal advisor. The term "no material business relationship" means that, at a minimum, the individual is not and, within the last five years, was not associated with a municipal securities broker, municipal securities dealer, or municipal advisor, and that the individual does not have a relationship with any municipal securities broker, municipal securities dealer, or municipal advisor, whether compensatory or otherwise, that reasonably could affect the independent judgment or decision making of the individual. The Board may determine that additional circumstances involving the individual constitute a "material business relationship" with a municipal securities broker, municipal securities dealer, or municipal advisor.

(iii) the terms "municipal advisor" and "municipal entity" have the meanings set forth in Section 975(e) of the Dodd-Frank Act.

(f) *Transition.*

(i) Notwithstanding any other provision of this rule, for the Board's fiscal years commencing October 1, 2020 and ending September 30, 2024, the Board shall transition to 15 Board members with four staggered classes, three of which will include four Board members and one of which will include three Board members. During this transitional period, Board members who were elected prior to July 2020 and whose terms end on or after September 30, 2020 may be considered for term extensions of one year in order to facilitate the transition.

(ii) For the Board's fiscal year commencing on October 1, 2020, the Board shall consist of 17 members, 9 of whom are public representatives and 8 of whom are regulated representatives. During this period, the Board shall be composed in accordance with section (a) in all other respects.

(iii) The amendment to subsection (e)(ii) shall apply only to individuals who are elected after the date on which the amendment is effective.

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