

# Financial Sustainability



Lynnette Kelly

In support of corporate transparency, each year the MSRB publishes financial highlights and full audited financial statements. As a self-regulatory organization, the MSRB receives no taxpayer dollars to carry out our Congressionally mandated mission, as illustrated in the funding sources displayed in our financial highlights. Our operations are self-funded by the industry our organization was formed to regulate. We strive to appropriately allocate funding across the diverse universe of regulated entities in a manner that ensures fairness and long-term financial sustainability of the MSRB.

During FY 2017, the MSRB took two important steps to recalibrate the assessment of fees on regulated entities in the interest of fairness. First, the MSRB established an annual underwriting fee for dealers acting as underwriters to 529 college savings plans, which have long been subject to MSRB rules and the beneficiaries of MSRB transparency systems and education resources. Second, the MSRB increased the annual municipal advisor professional fee to \$500 from \$300 in light of the substantial costs associated with developing and maintaining a regulatory regime for municipal advisors. Both fees are effective in FY 2018. We continue to periodically reevaluate all fees with the aim of fairly and equitably allocating fees across the entities that fall under the organization's regulatory mandate.

The MSRB is dedicated to managing resources responsibly and maintaining sufficient reserves to operate without interruption, regardless of market conditions. The majority of our revenues are based on inherently volatile market conditions, which makes annual budgeting an art as much as a science. We strive to make reasonable predictions, such as for bond volume, which remains challenging given economic factors, the unpredictability of the direction of interest rates, the impact on refundings and new-money issuance, alternative sources of capital for issuers, and public policy changes including tax reform.

The MSRB's mission requires significant investment in technology, other fixed assets and people to develop rules and maintain market transparency and surveillance systems that ensure market integrity. FY 2017 expenses reflect these priorities and align with our statutory mandate to protect investors, state and local government issuers, other municipal entities and the public interest. However overall expenses remained relatively flat in FY 2017 compared to the prior year, reflecting our rigorous cost controls.

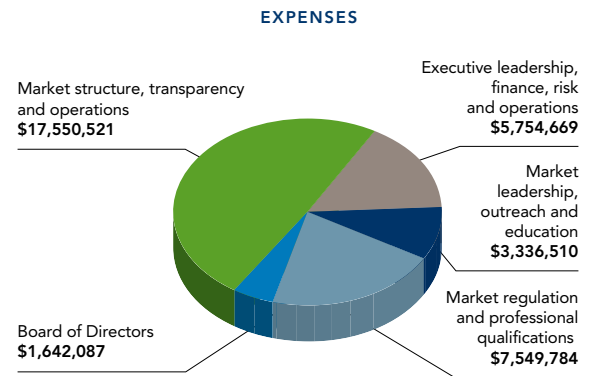
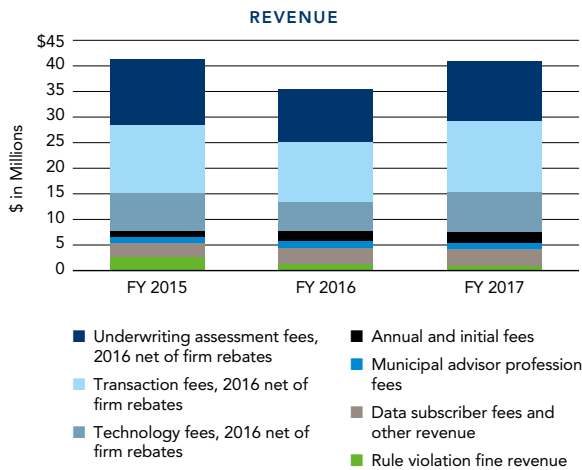
At the start of FY 2018, the MSRB further demonstrated our commitment to transparency and public accountability by releasing for the first time a public budget summary. The summary describes the alignment between the organization's mission-driven activities and projected revenues and spending. The MSRB intends to continue its diligent financial stewardship while evaluating ways to diversify its funding sources in the year ahead.

Sincerely,

A handwritten signature in blue ink that reads "Lynnette Kelly". The signature is written in a cursive, professional style.

Lynnette Kelly, Executive Director

## 2017 Financial Highlights



September 30	2017	2016	2015
<b>Statements of Financial Position</b>			
Total Assets	\$ 84,511,116	\$ 79,547,955	\$ 74,829,468
Total Liabilities	10,074,504	10,233,151	5,314,474
Total Net Assets — Unrestricted	74,436,612	69,314,804	69,514,994
<b>Statements of Activities</b>			
<b>Revenue:</b>			
Underwriting assessment fees, net of firm rebates of \$1.8 million in 2016	11,629,582	10,367,501	12,990,546
Transaction fees, net of firm rebates of \$2.2 million in 2016	13,889,042	11,632,218	13,313,660
Technology fees, net of firm rebates of \$1.5 million in 2016	7,950,238	5,576,543	7,268,324
Annual and initial fees	2,024,234	2,144,609	1,142,114
Municipal advisor professional fees	1,196,700	1,225,200	1,336,168
Data subscriber fees and other revenue	3,270,845	3,221,828	2,624,448
Rule violation fine revenue	994,738	1,219,081	2,652,316
Total Revenue	40,955,379	35,386,980	41,327,576
<b>Expenses</b>	35,833,571	35,587,170	32,201,607
<b>Change in Net Assets</b>	\$ 5,121,808	\$ (200,190)	\$ 9,125,969
<b>Statements of Cash Flows</b>			
Cash Provided from Operating Activities	\$ 9,452,952	\$ 9,486,966	\$ 12,303,844
Investment in Technology Systems and Other Fixed Assets	\$ 5,132,018	\$ 8,826,669	\$ 4,709,614

### VIEW FROM THE BOARD

The Board's Finance Committee helps the Board fulfill its oversight responsibility related to the budgeting process and monitoring financial performance. We help ensure the MSRB meets our Congressionally mandated responsibilities, policy directives and financial objectives. The motivation for being financially prudent is not only to ensure that the MSRB is fiscally sound but also to fulfill the obligation we owe to the industry since it is the ultimate provider of our resources."

~ Gary Hall, MSRB Board Finance Committee Chair  
Siebert Cisneros Shank & Co., LLC

