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Affected Rules
[Rule G-18](#); [Rule G-48](#);
[Rule D-15](#)

MSRB Revises Effective Date for MSRB Rule G-18, on Best Execution of Transactions in Municipal Securities, and Related Rule Amendments

The Municipal Securities Rulemaking Board (MSRB) filed with the Securities and Exchange Commission (SEC) a rule change to revise the effective date of new MSRB Rule G-18, on best execution of transactions in municipal securities, and related amendments to MSRB Rule G-48, on transactions with sophisticated municipal market professionals (SMMPs), and MSRB Rule D-15, on the definition of SMMP.¹ The new effective date of Rule G-18 and the related amendments will be 120 days from the date of publication by the MSRB of implementation guidance on those rule changes, but no later than April 29, 2016. The MSRB, in its filing, designated this revision for immediate effectiveness. Upon publication of the implementation guidance, the MSRB will announce the resulting specific effective date.

On December 5, 2014, the SEC approved Rule G-18 and the related amendments with an effective date of December 7, 2015.² The core provision of Rule G-18 generally will require dealers, in any transaction for or with a customer or a customer of another dealer, to use reasonable diligence to ascertain the best market for the subject security and to buy or sell in that market so that the resultant price to the customer is as favorable as possible under prevailing market conditions.

In its 2012 Report on the Municipal Securities Market,³ the SEC recommended that the MSRB consider buttressing existing fair-pricing standards by establishing a best-execution obligation and providing

¹ See [File No. SR-MSRB-2015-10](#)

² See Exchange Act Release No. 73764 (Dec. 5, 2014), 79 FR 73658 (Dec. 11, 2014) (SR-MSRB-2014-07).

³ SEC Report on the Municipal Securities Markets (July 31, 2012), 149-50, *available at* <http://www.sec.gov/news/studies/2012/munireport073112.pdf>.



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guidance to dealers on how best-execution concepts would be applied to municipal securities transactions. After the final terms of the new obligation were established through the SEC's approval of Rule G-18 and the related amendments on December 5, 2014, the MSRB began an initiative to develop implementation guidance consistent with the SEC's additional recommendation. As previously indicated during the rulemaking process, the MSRB has planned to publish the implementation guidance prior to Rule G-18 and the related amendments becoming effective and to coordinate with the Financial Industry Regulatory Authority (FINRA) with the aim to establish consistent guidance, as appropriate, on the application of best-execution standards in both the municipal securities and corporate debt markets. Also as publicly announced, the SEC committed to work closely with the MSRB and FINRA as they work together to provide guidance on best-execution obligations under their respective rules.⁴ Throughout the initiative to develop implementation guidance, the MSRB has coordinated with the SEC and FINRA and, currently, this process continues.

The MSRB has intended, in part based on dialogue with market participants, to publish the implementation guidance approximately four months in advance of the effective date to provide dealers sufficient time to review the guidance and utilize it, for example, in their development or revision of policies and procedures necessary to comply with Rule G-18 and the related amendments. Accordingly, the MSRB submitted the rule change to revise the effective date of Rule G-18 and the related amendments to be 120 days from the date the implementation guidance is published by the MSRB, but no later than April 29, 2016. The rule change is designed to afford dealers four months with the use of the published implementation guidance to prepare to comply with the requirements of Rule G-18 and the related amendments, as the MSRB has intended and believes to be sufficient. In addition, by generally making the effective date a function of the publication of the implementation guidance by the MSRB, the revision provides the municipal securities industry with greater certainty regarding the length and adequacy of the implementation period.

⁴ See Mary Jo White, Chair, SEC, *Intermediation in the Modern Securities Markets: Putting Technology and Competition to Work for Investors* (June 20, 2014) (“[T]o assure that brokers are subject to meaningful obligations to achieve the best executions for investors in both corporate and municipal bond transactions, we will be working closely with . . . FINRA and the MSRB as they work together to provide practical guidance on how brokers might effectively achieve best execution.”).

Questions concerning this notice should be directed to Michael L. Post, General Counsel – Regulatory Affairs, or Carl E. Tugberk, Assistant General Counsel, at 703-797-6600.

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