



Municipal Securities Rulemaking Board

January 23, 2018

The Honorable Mike Crapo
Chairman, Senate Committee on Banking,
Housing & Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member, Senate Committee on
Banking, Housing & Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Jeb Hensarling
Chairman, House Committee on Financial
Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Maxine Waters
Ranking Member, House Committee on
Financial Services
4340 O'Neill Federal Office Building
Washington, DC 20515

Re: Update on the Municipal Securities Rulemaking Board's FY 2018 Regulatory Agenda and Public Budget

Dear Senators Crapo and Brown and Representatives Hensarling and Waters,

As Chair of the Municipal Securities Rulemaking Board (MSRB), the self-regulatory organization (SRO) created by Congress in 1975 to oversee the U.S. municipal securities market, I am writing to update you regarding the implementation of recent MSRB rulemakings and provide a copy of our first forward-looking [Executive Budget Summary](#) for the 2018 fiscal year, in the interest of increased financial transparency.

Overseen by Congress and the SEC, the MSRB regulates the \$3.8 trillion municipal securities market composed of approximately one million bonds outstanding and 40,000 daily trades of \$11 billion in par value. As authorized by the Securities Exchange Act of 1934, the MSRB protects municipal securities investors, state and local government issuers, other municipal entities, obligated persons and the public interest. The MSRB promotes a fair and efficient municipal market through: (1) rules for dealers and municipal advisors; (2) the collection and dissemination of market data and information; and (3) market leadership, outreach and education.

The MSRB's governing board is diverse in the size and type of dealers and municipal advisors represented, and includes state and local government issuers of municipal securities as well as investors. This enables MSRB to take a responsive approach to rulemaking, gain the perspective

needed to develop effective regulations and respond to changing circumstances and the needs of regulated entities and market stakeholders.

For 2018, the MSRB is building on the completion of three rulemaking initiatives by focusing on helping regulated entities comply with the new requirements. These are: (1) as mandated by the Dodd-Frank Act, the completion of a core regulatory framework for municipal advisors – professionals that provide advice regarding the issuance of municipal bonds or on municipal financial products to municipal entities; (2) a “best execution” rule that requires brokers and dealers to use reasonable diligence to find the best market in which to buy or sell a customer’s security, such that the price to the customer is as favorable as possible under market conditions; and (3) a rule requiring brokers, dealers and municipal securities dealers to disclose their compensation in the form of a mark-up or mark-down to retail customers on certain principal transactions, to become effective May 14, 2018.

As an SRO positioned to solicit and receive continuous feedback from regulated entities and municipal market stakeholders, the MSRB understands that dealers and municipal advisors value additional opportunities to ask questions about and understand the practical realities of complying with these new rules. The MSRB is taking several steps to address this need, including:

- launching free compliance workshops and webcasts with MSRB staff available to answer questions regarding MSRB rules;
- providing a new online resource center with materials such as frequently-asked-questions and advisories that help industry professionals promote compliance; and
- hosting public town hall meetings across the country to capture ideas that inform the MSRB’s current priorities and long-term strategic initiatives.

These initiatives go well beyond MSRB rulemaking to ensure that the organization is acting as a responsive regulator that continually reviews and clarifies rulemakings, guidance and procedures, and incorporates input and feedback from market stakeholders.

The MSRB is also committed to organization-wide assessments and seeks to be a transparent organization for regulated entities from whom we collect fees, Congress and the public. The MSRB promotes municipal securities market transparency through our rules and the free public dissemination of market data and investor disclosures through our Electronic Municipal Market Access (EMMA®) website. As a product of our recent self-assessment, we recognized the MSRB could enhance its own transparency through the release of a comprehensive, forward-looking explanation of our FY 2018 budget, beyond the annual audited financial statements, annual report and IRS form 990 we have traditionally provided on our public website.

MSRB Board Members, Executive Director Lynnette Kelly, Director of Government Relations Susan Collet and other MSRB staff are available to answer questions regarding the MSRB's operations as a regulator, rulemaking or compliance initiatives, or market data, and to address questions about the municipal securities market. Please do not hesitate to contact MSRB staff at 202-838-1500 to with any questions or concerns, or to arrange a meeting.

Regards,

A handwritten signature in blue ink that reads "Lucy Hooper". The signature is written in a cursive, flowing style.

Lucy Hooper
Chair
Municipal Securities Rulemaking Board