



Mr. Ronald W. Smith, Secretary  
Municipal Securities Rulemaking Board  
1300 I St., NW  
Suite 1000  
Washington, DC 20005

November 11, 2016

Dear Mr. Smith,

The Securities Industry and Financial Markets Association (SIFMA)<sup>1</sup> is pleased to provide comments regarding the Municipal Securities Rulemaking Board's (MSRB's) Regulatory Notice 2016-25, "MSRB Seeks Input on Strategic Priorities. This letter outlines initiatives and issue areas we believe the MSRB should address in the coming year and beyond.

In addition to the issues discussed in this letter, SIFMA has been working with a group of organizations on various initiatives related to improving the quality, timeliness and availability of municipal issuer financial disclosure information. One initiative we have focused on is identifying suggested ways to improve the Electronic Municipal Market Access (EMMA) platform to make municipal disclosure information more accessible and better organized and to improve the functionality of EMMA. We expect to provide those suggestions soon.

We ask that the MSRB include the following issues and initiatives in its upcoming agenda.

**Guidance on MSRB Rule G-34.** As you know, there has been a rise in the use of bank products by municipal issuers, including loans and especially direct, private placement of securities with banks, as alternatives to public issuance of securities. This trend has raised questions about the scope of the provisions in MSRB Rule G-34(a)(i) related to CUSIP numbers. We ask that the MSRB engage in rulemaking at the MSRB level to address under what circumstances dealers acting as placement agents or municipal advisors on bank transactions are required to apply for the designation of a CUSIP number under Rule G-34.

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<sup>1</sup> SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over \$2.5 trillion for businesses and municipalities in the U.S., serving clients with over \$20 trillion in assets and managing more than \$67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit [www.sifma.org](http://www.sifma.org).

**Guidance with respect to discretionary accounts.** We note that in its press release of October 31, 2016,<sup>2</sup> the MSRB states that it will provide interpretive guidance “on the application of MSRB rules to municipal bond transactions by investment advisers having full discretion to act for their clients’ accounts.” We agree that such guidance would be helpful and support the MSRB’s work in this area. In particular, we request that the MSRB clarify that dealers need not make MSRB Rule G-47 disclosures to customers when the customers have granted the dealers discretion over their accounts.

**Address issues related to professional qualification exams.** Last year, the Financial Industry Regulatory Authority (FINRA) released a notice requesting comment on restructuring professional qualification examinations overseen by FINRA.<sup>3</sup> We ask the MSRB to coordinate its professional qualification testing program with FINRA’s and to clarify that individuals who took and passed the FINRA Series 7 General Securities Representative Examination prior to November 7, 2011 will continue to be grandfathered under the MSRB’s professional qualifications regime.

**Solicitor Municipal Advisor rulemaking.** While the MSRB has undertaken broad rulemaking activity regarding Municipal Advisors (MAs) generally, there has been no rulemaking in the area of solicitor municipal advisors. We ask that the MSRB prioritize Solicitor MA rulemaking and address issues such as defining the scope of who is a Solicitor MA and the application of MSRB Rule G-42 to Solicitor MAs, among other issues.

**Cost-benefit analyses.** We ask that the MSRB further prioritize economic analysis of proposed MSRB rules and rule amendments. A robust cost-benefit analysis should be a key factor in evaluating the application of MSRB regulatory actions. This issue is particularly relevant given the recent departure of the MSRB’s Chief Economist. We also ask that the MSRB be more transparent in its presentation of cost-benefit analyses in regulatory notices such as rule proposals. In particular, we request that the MSRB adopt a practice of reporting the data, assumptions and models from which the MSRB derives cost-benefit conclusions.

**Rule harmonization.** We ask that the MSRB make a stronger commitment to rule harmonization with other regulators including the SEC and FINRA both when reviewing existing rules and proposing new rules. Most brokers, dealers and municipal securities dealers are subject to other regulatory regimes such as SEC and FINRA rules. There is generally no reasonable rationale for imposing inconsistent requirements for conducting the same activities and the extra expenses of reconciling, and complying with varying regulation could be redeployed on more meaningful compliance efforts. One example where MSRB rules have been inconsistent with FINRA or SEC rules is books and records retention. As FINRA moves forward with significant proposed and final rule changes including in areas such as registrations, gifts and entertainment and outside accounts, we ask that MSRB coordinate closely with FINRA in the interest of consistency.

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<sup>2</sup> Municipal Securities Rulemaking Board, “MSRB Holds Quarterly Board Meeting,” press release, October 31, 2016.

<sup>3</sup> Financial Industry Regulatory Authority, Regulatory Notice 15-20, “FINRA Requests Comment on a Concept Proposal to Restructure the Representative-Level Qualification Examination Program,” May 2015.

**Review of budget and finances.** We ask the MSRB to undertake a comprehensive review of its fee structure and budgeting process. This review should cover such issues as:

- *Cost allocation.* It has now been more than six years since the Dodd-Frank Act was enacted. It is time for the MSRB to appropriately allocate its costs among all segments of its membership, including dealers, banks and municipal advisors.
- *Fee rebates.* While we appreciate MSRB fee rebates, it would be better for the MSRB to set fees at a level that does not result in excessive surpluses, necessitating the need for rebates.
- *Long-term budgeting.* We ask the MSRB to implement a longer-term outlook in its budget process and to provide more transparency in terms of resource allocation and priorities in the coming two to three years. This would permit dealers to plan better for costs expected to be imposed by the MSRB in coming years.

**Revise approach to informal guidance.** It is our perception that in the past, MSRB staff generally provided informal guidance and clarification to member firms on specific questions when asked. More recently, this practice seems to have been abandoned. We urge the MSRB to adopt a practice of being more responsive to firms' questions by providing informal guidance and clarification and published FAQs on questions that are raised repeatedly.

We again are pleased to provide comments on the MSRB's strategic priorities. We would welcome the opportunity to discuss any of these issues in greater detail.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Decker". The signature is fluid and cursive, with a large initial "M" and a long, sweeping underline.

Michael Decker  
Managing Director