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Informational Notice

Category
Administration

Affected Rules
[Rule A-13](#)

MSRB Waives Market Activity Fees for Transactions with the Municipal Market Liquidity Facility

Overview

The Municipal Securities Rulemaking Board (MSRB) filed a proposed rule change with the U.S. Securities and Exchange Commission (SEC) to amend MSRB Rule A-13 on underwriting and transaction assessments for brokers, dealers and municipal securities dealers (“dealers”) to provide temporary relief from certain market activity fees related to Municipal Liquidity Facility (“MLF”) established by the Board of Governors of the Federal Reserve System (“Federal Reserve”).¹

The MSRB continues to closely monitor the impact of the coronavirus disease (“COVID-19”) pandemic on the municipal market, including how the MLF will operate in conjunction with MSRB rules. “The immediate purpose of the MLF is to enhance the liquidity of the primary short-term municipal securities market through the purchase at issuance of Tax Anticipation Notes (“TANs”), Tax and Revenue Anticipation Notes (“TRANS”), Bond Anticipation Notes (“BANs”), and similar short-term notes” (collectively, “Eligible Notes”).²

The MLF intends to provide a liquidity backstop to certain issuers through a special purpose vehicle (“SPV”). The SPV may purchase certain Eligible Notes through a direct sale to the SPV or, if there is a competitive sale process, the SPV generally will not submit a bid in the competitive sale process, but instead may agree to purchase such municipal securities that are not awarded to other bidders.³

¹ File No. SR-MSRB-2020-03.

² Federal Reserve Bank of New York, FAQs: Municipal Liquidity Facility (“Fed FAQs”) <https://www.newyorkfed.org/markets/municipal-liquidity-facility/municipal-liquidity-facility-faq>.

³ See Fed FAQs.



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Based on the information currently available regarding the operation of the MLF, the MSRB believes that the MLF would be a customer for purposes of Rule A-13 and, therefore, the underwriting, transaction and technology assessments under Rule A-13 would be applicable to a dealer's transactions with the MLF. The MSRB is proposing to waive these market activity fees for transactions conducted with the MLF.

The proposed rule change was filed for immediate effectiveness on May 28, 2020. Consistent with the MSRB's filing with the SEC, the MSRB is publishing this Notice to outline the amended rule.

Summary

MSRB Rule A-13 has been amended to waive the assessment of market activities fees for transactions with the MLF. Specifically, the:

- Underwriting fee in the amount .00275% (\$.0275 per \$1,000) of the par value pursuant to Rule A-13(c)(i) on the par amount of the primary offering that is purchased by or on behalf of the MLF;
- Transaction fee on sales to the MLF in the amount equal to .001% (\$.01 per \$1,000) of the total par value of sales to customers that it reports to the Board under MSRB Rule G-14(b), on reports of sales and purchases, pursuant to Rule A-13(d)(ii); and
- Technology fee of \$1.00 per transaction for sales to the MLF that it reports to the Board under Rule G-14(b), pursuant to Rule A-13(d)(iv)(b).

The MSRB intends the waiver to be temporary and to expire at the same time as the MLF, which is currently scheduled to cease purchasing Eligible Notes on December 31, 2020, unless the Federal Reserve Board of Governors and the Treasury Department extend the program.⁴

Questions about this notice may be directed to Gail Marshall, Chief Compliance Officer at 202-838-1361.

May 28, 2020

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⁴ The Federal Reserve Bank will continue to fund the SPV after such date until the SPV's underlying assets mature or are sold. See Fed FAQs.

Text of Amendments⁵

Rule A-13: Underwriting and Transaction Assessments for Brokers, Dealers and Municipal Securities Dealers

(a) – (h) No change.

Supplementary Material .01 Temporary Suspension of Certain Assessments.

Assessments specified in sections (c)(i), (d)(ii) and (d)(iv)(b) of this rule will be waived by the Board if such assessments result from a transaction the dealer has with the Municipal Liquidity Facility established by the Federal Reserve Board of Governors.

⁵ Underlining indicates new language.