

# THE BOND BUYER

## Sen. Kennedy seeks momentum for MSRB reform bill

By

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Sen. John Kennedy of Louisiana is looking to make his legislation aimed at curbing industry influence on the Municipal Securities Rulemaking Board bipartisan through cosponsors from across the aisle, with sights set on Banking Committee Democrats.

The Municipal Securities Rulemaking Board Reform Act of 2019 has been awaiting Senate Banking Committee action since its introduction at the end of April, and Kennedy, a Republican who sits on that committee, remains its sole sponsor. But sources said Kennedy is actively seeking additional sponsors to improve the bill's chances of moving forward, eyeing junior Democrats on the committee.

Kennedy's office has been in discussion with at least two committee Democrats, sources said.

Kennedy's bill would whittle down to 15 the 21-member board and require a five-year cooling-off period for public members who have previously worked as bankers, brokers, or municipal advisors. The board's current public membership requirements state that individuals may not be "associated" with a regulated firm for at least two years or "employed by" a regulated firm for at least three years.

The bill would also cap board members' compensation and grant control of board membership to the Securities and Exchange Commission, rather than the current internal process in which the MSRB solicits applications and then selects its own members.



Sen. John Kennedy, R- La. **Bloomberg News**

Federal law requires that the board be made up of a majority of public board members, but Kennedy and many market participants have pointed out that public board seats are sometimes filled by retired investment bankers. While those members have always met the board membership requirements for public members, there have been calls to increase the length of time members must be away from the industry before they can qualify as public representatives.

Kennedy, who was treasurer of Louisiana prior to his election to the Senate in 2016, applied unsuccessfully to the board multiple times.

MSRB Chair Gary Hall said in a statement that the board continually re-examines its governance process against industry best practices, and that it may ramp up those efforts in the near future.

“I intend to recommend that the board undertake an even more substantial governance review in the coming fiscal year to ensure we are adhering to best practices and addressing concerns expressed by Sen. Kennedy in his

legislation,” Hall said. “The MSRB stands ready to discuss with Sen. Kennedy and other policymakers our current process and any proposed changes.”

Kennedy has [publicly railed](#) against the board, calling it “an insider's club” and “incestuous.”

Marcus Stanley, policy director at Americans for Financial Reform, said that there is a widespread feeling that the MSRB is dominated by insiders to a degree that is “greater than is healthy for a self regulatory organization.”

“Reforms are called for and I’m glad that Sen. Kennedy is stepping forward to do that,” Stanley said.

He said he sees bipartisan interest in the bill because people have interest in federal regulation in the municipal markets.

“We’ve seen blowups in the muni markets that have really affected cities and public entities across the country,” Stanley said, referencing Detroit and Puerto Rico.

While the addition of Democrats as co-sponsors would increase the bill's chances to advance in the Senate, it still faces hurdles. It would have to be given Banking Committee time by Chairman Mike Crapo, R-Idaho, and then win approval there. Even then, it would have to compete with many other measures to reach a Senate floor vote.

The bill also cannot become law until a companion measure passes through the House, and so far no sponsors have materialized in that chamber.