

THE BOND BUYER

MSRB proposals welcomed by dealer groups

By

[Connor Hussey](#)

Published

April 18, 2023, 1:01 p.m. EDT

The Municipal Securities Rulemaking Board's proposed amendments on Rule G-47 on time of trade disclosures, as well as amendments to Rule D-15 on sophisticated municipal market professionals, are being welcomed by dealer groups despite the changes being rather small.

Many of the amendments in the proposal are consolidations and reorganizations of existing policy documents, according to the Bond Dealers of America, and adds some new disclosure fields for dealers to fill out on a certain form.

It also specifies that dealers do not need "to disclose to their customers material information that, pursuant to the dealer's policies and procedures regarding insider trading and related securities laws, is intentionally withheld from the dealer's registered representatives who are engaged in sales to and purchases from a customer," the proposed amendments said.



"SIFMA applauds the MSRB's goal to modernize the rules while continuing to provide appropriate issuer and investor protections without placing undue compliance burdens on regulated entities," wrote Leslie Norwood, managing director, associate general counsel and head of municipal securities at the Securities Industry and Financial Markets Association in their letter.

"While some dealers likely incorporate these disclosures currently, not all do," Michael Decker, senior vice president for research and public policy at the Bond Dealers of America wrote in response to the proposal. "For those who do not, these amendments would impose costs on dealers to update written supervisory procedures and obtain additional sources for this information, likely from vendors."

The MSRB recognizes that dealers could incur costs as a result of the proposal and BDA goes further to say that compliance costs are not borne equally across the industry and that small dealers in particular would bear a greater burden. The changes that come along with the proposal may be small, but it is also during a time when a number of other related regulatory initiatives are underway, including the transition to T+1 clearing and settlement, as well as shortening the trade report deadline to one minute and a third best execution rule at the Securities and Exchange Commission.

"Together, these initiatives would impose significant new compliance costs on MSRB-regulated dealers," Decker wrote. "We urge the MSRB to be mindful of the combined effects of the Board's initiatives as well as regulations promulgated by the SEC, especially the effects on small and mid-size dealers."

The Securities Industry and Financial Markets Association also applauded the proposal, but added a few stipulations such as that state-registered investment advisers should be exempt from the attestation requirement in amendments presented in Rule D-15, among others.

"The investor protections provided by the regulatory regime under the Advisers Act obviate the need for the similar investor protections provided by time-of-trade disclosure, customer-specific suitability, best execution under the other obligations required by MSRB rules but modified under Rule G-48," SIFMA's letter said. "If the RIA does not comply with such obligations, they are arguably not fulfilling their fiduciary duties, so the MSRB should not need to layer on additional investor protections for municipals."

SIFMA said all RIAs should be exempt from the attestation requirement and that this exemption should be extended to state registered investment advisers, who have essentially identical duties but smaller assets under management.

SIFMA also feels that certain supplemental material such as language from existing interpretive guidance reminding purchasing dealers to obtain information about limited information bonds, should be retired.

"The original guidance does not state that the dealer is to obtain information from the customer, however, merely that the dealer must obtain the information prior to reintroducing the security to the market," SIFMA said. "Regardless, this guidance is outdated and should be retired instead of codified."

SIFMA also urged the MSRB to clarify that rules should not be construed to require broker-dealers to give tax advice and that time of trade disclosures for 529 savings plans should be covered in a separate rule.