

# MSRB Rule G-17: What Does it Mean?

Jay Goldstone, Board Chair  
*Municipal Securities Rulemaking Board*

California Debt and Investment Advisory  
Commission Pre-Conference Program

September 25, 2013



**MSRB**

Municipal Securities  
Rulemaking Board

# Presentation Overview

- About the MSRB
- MSRB Rule G-17
- Update on Financial Disclosure Resources for Issuers

# About the MSRB



- A self-regulatory organization created by Congress in 1975
- Regulates municipal securities firms, banks and municipal advisors
- Protects investors and issuers of municipal securities
- Promotes a fair and efficient municipal market

# How the MSRB Fulfills its Mission

- Regulates municipal securities dealers and municipal advisors
- Operates market transparency systems including the **EMMA**® website
- Conducts education, outreach and market leadership

# Dodd-Frank and the Municipal Market



- Expanded the MSRB's mission to protect state and local governments that issue municipal bonds
- Established framework for regulation of municipal advisors by the MSRB

# MSRB Rule G-17

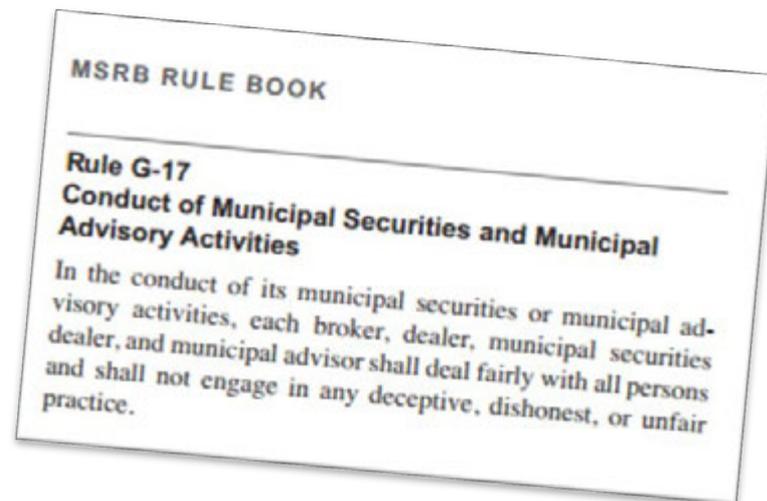


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# MSRB Rule G-17

- Outlines basic duties of fair dealing in one sentence
- Requires municipal securities dealers and municipal advisors to:
  - Deal fairly with all persons
  - Not engage in any deceptive, dishonest or unfair practice



# Obligations of Underwriters to State and Local Governments



- Interpretive notice on Rule G-17 effective August 2, 2012
- Fundamental issuer protection rule
- Goals of interpretive notice:
  - Requires an underwriter to disclose the nature of its relationship with issuers
  - Creates affirmative obligations for underwriters to engage in specific conduct
  - Requires an underwriter to disclose material information needed for issuers to assess proposed financial transactions

# Fair Practice Obligations



- Rule G-17 notice covers three main areas of fair practice obligations for underwriters:
  - Disclosures to issuers
  - Financial aspects of underwriting transactions
  - Statements and representations to issuers

- Required underwriter disclosures
  - Role
  - Real or potential conflicts of interest
  - Elements of routine and complex financings
- Manner and timing of disclosures

# Financial Aspects



- Compensation
- New issue pricing
- Profit sharing arrangements
- Payments to issuer personnel
- Retail order periods

# Statements and Representations

- All representations made in writing or orally by underwriters to issuers must:
  - Be truthful and accurate
  - Not misrepresent or omit material facts
  - Not be misleading
  - Have a reasonable basis
  - Not misrepresent knowledge or expertise
- Statements found in:
  - Requests for proposals (in negotiated underwritings), issue price certificates and materials used in official statements
- Prohibition on discouraging use of municipal advisor

# MSRB Outreach on Rule G-17 Obligations



- Educational webinar and conference calls
- Industry events
- Implementation guidance
- FAQs based on market feedback

# Underwriter Feedback

- Delivery of disclosures
- Complex versus routine financings
- Conflicts disclosures
- Conduit financings

# Issuer Feedback



- Acknowledgement of receipt of disclosures
- Volume of disclosures
- Role of syndicate manager
- Conduit issuers

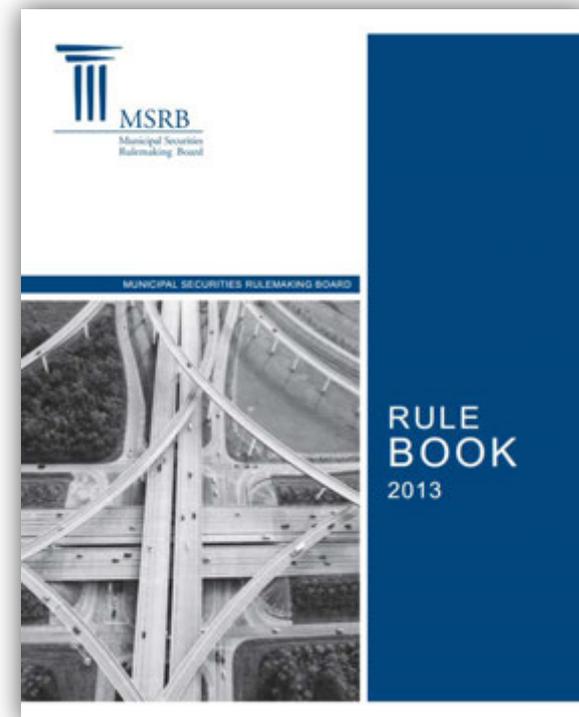
# Rule G-17 Interpretive Notice FAQs



- Help underwriters understand their obligations
- Help state and local government officials know what to expect

# Promoting Regulatory Efficiency

- Re-examining entire rule book to:
  - Determine whether revisions are necessary due to changes in market practices or conditions
  - Identify areas where rules could be more closely aligned with rules of other self-regulatory organizations
- MSRB reviewing and prioritizing recommendations from commenters
- Public input on rules always welcome



# Update on Financial Disclosure Resources for Issuers



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# Improving Financial Disclosure by Issuers



- Recent SEC enforcement actions focusing on inadequate disclosure
- Securities fraud charges against:
  - State of Illinois: *Inadequate pension disclosures*
  - Harrisburg, PA: *Inflated property valuations of security for bonds*
  - Victorville, CA: *Misleading financial information*
  - South Miami: *Failure to disclose threats to tax-exempt eligibility*
  - City of Miami: *False and misleading statements*
  - West Clark Community Schools, IN: *False statements and noncompliance with continuing disclosure obligations*

# New Financial Disclosure Resources

- MSRB provides resources to support issuers with:
  - Identifying required financial disclosures
  - Establishing disclosure policies and procedures
  - Scheduling email reminders for recurring financial disclosures
  - Making disclosures publicly available on **EMMA®**
- Access in State and Local Government Toolkit on [www.msrb.org](http://www.msrb.org)

# Getting Started: Sign Up for Financial Disclosure Email Reminders



- Financial Disclosure Email Reminders on the EMMA® website
  - Keep track of filing deadlines
  - Ensure anyone responsible for timely filing receives an automated reminder
  - Sign up by logging into MSRB Gateway from [dataport.emma.msrb.org/AboutDataport.aspx](http://dataport.emma.msrb.org/AboutDataport.aspx)

# Stay Informed



-  Subscribe to MSRB email updates at [www.msrb.org](http://www.msrb.org)
- Follow the MSRB on Twitter **@MSRB\_News**

# Contact the MSRB



## MSRB Online

[www.msrb.org](http://www.msrb.org)

<http://emma.msrb.org>

## Main Phone

703-797-6600

## MSRB Support

703-797-6668

Hours of Operation:

7:30 a.m. - 6:30 p.m.

[MSRBsupport@msrb.org](mailto:MSRBsupport@msrb.org)

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