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
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
Disclosures

• 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
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
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
Stay Informed

- Subscribe to MSRB email updates at www.msrb.org

- Follow the MSRB on Twitter @MSRB_News
Contact the MSRB

MSRB Online
www.msrb.org
http://emma.msrb.org

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MSRBsupport@msrb.org
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