



MSRB Rules  
*The Municipal Securities  
Rulemaking Board*

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# MSRB: Who Are They?

- **Overview:**
  - The Municipal Securities Rulemaking Board (“MSRB”) was established in 1975 by Congress to develop rules regulating securities firms and banks involved in underwriting, trading, and selling municipal securities.
  - The Board sets standards for all municipal securities dealers and is a self-regulatory organization (“SRO”) subject to oversight by Securities and Exchange Commission (SEC).
- **Board Structure:** 15 members- five representatives of bank dealers, five representatives of securities firms, and five public members not associated with any bank dealer or securities firm.
- **Funding:** All Board operations are financed by fees and assessments paid by the dealer community.



# MSRB: What do they do?

- **Scope of Authority**: The Board only has authority to make rules regulating the municipal securities activities of banks and securities firms and does not have authority over issuers of municipal securities or investors. (Neither does the SEC, but see Rule 15c2-12.)
- **Rulemaking Authority**: The Board has broad rulemaking authority over municipal securities dealers' activities, including:
  - professional qualification standards
  - fair practice
  - recordkeeping
  - confirmation, clearance, and settlement of transactions
  - the scope and frequency of compliance examinations
  - the nature of securities quotations.
- **Enforcement of Board Rules**: Enforcement delegated to NASD for broker/dealers; bank regulators for capital markets divisions of banks.



# MSRB: Rulemaking Procedure

- Upon adoption of a rule by the Board, it must be filed with the SEC for review.



# Political Contributions

## Rule G-37

- Prohibits dealer from engaging in municipal securities business with an issuer for 2 years after any contribution to an official of such issuer.
- Encompasses: (i) the broker/dealer firm; (ii) any municipal finance professional associated with such broker/dealer; or (iii) any PAC controlled by the broker/dealer or any municipal finance professional.
- Requires dealers to record and disclose political contributions.
- “Contribution” defined as any gift, subscription, loan, advance, or deposit of money or anything of value made for transition or inaugural expenses incurred by a successful candidate.
- Only Exception (de minimus): Certain contributions made to issuer officials by municipal finance professionals -if such professionals are entitled to vote for such official, and contributions by any such professional do not exceed, in total, \$250 to each official, per election (eg—Primary and general election).
- Note: Rule does NOT cover federal elections



## *Old Rule G-38*

- Required dealers who used *consultants* to:
  - evidence the consulting arrangement in writing;
  - to disclose, in writing, to an issuer with which it is engaging or seeking to engage in municipal securities business information on consulting arrangements relating to such issuer; and
  - to submit to the Board, on a quarterly basis, reports of all consultants used by the dealer, amounts paid to such consultants, and certain political contribution and payment information from the consultant.



## *New Rule G-38*

- In 2005, MSRB changed Rule G-38 to outright ban on broker/dealer use of such consultants.
- Prohibits brokers, dealers or municipal securities dealers from providing or agreeing to provide, directly or indirectly, payment to any person who is not an *affiliated person* for solicitation of municipal securities business.
- “Affiliated person” is any person who is a partner, director, officer, employee or registered person of the broker, dealer or municipal securities dealer (or similar status for bank dealer) or any affiliated company.



# Other Information

- See [www.msrb.org](http://www.msrb.org)
- Recent Developments





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