



April 29, 2020

VIA ELECTRONIC SUBMISSION

Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005

Re: MSRB Notice 2020-02 – Amendments to MSRB Rule A-3: Membership on the Board

Dear Mr. Smith,

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates this opportunity to comment on the Municipal Securities Rulemaking Board’s (“MSRB”) proposed amendments to MSRB Rule A-3 governing membership on the MSRB’s Board. We welcome the MSRB’s review of its governance with a view to better protecting investors, issuers, and the public interest. This goal can be achieved by a Board that is truly representative and knowledgeable of the municipal securities market.

I. Board Composition

We strongly object to the proposal to reserve two seats on the Board for municipal advisors and to further qualify the type of municipal advisor that can fill a seat. This proposal not only gives municipal advisors outsized representation compared to other regulated categories, but it also favors certain types of municipal advisors over others. First, reserving two seats for municipal advisors on a smaller Board reflects neither the MSRB’s membership nor the municipal securities market. Dealers firms, for example, employ tens of thousands of individuals who are licensed to transact in municipal securities (including Series 51, 52, and 53 holders) engaged in municipal securities-related activities and those that support them, while the number of licensed municipal advisors (Series 50 and 54 holders) and those that support them represent a mere fraction of that number. Like municipal advisors, dealers engage in a broad range of

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate for legislation, regulation and business policy, affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA).

activities too, but they have just one reserved seat per category. Dealers are also subject to the whole gambit of the MSRB's rulebook for the broad range of activities they engage in and they pay the majority of the MSRB's regulatory fees, unlike municipal advisors. Equal representation on the Board is vital to ensure that all regulated entities have a fair say in their regulation. This results in better regulation and more effective compliance that ultimately benefits the municipal securities market.

Second, placing qualifications on the type of municipal advisor that may serve on the Board, like the proposal to limit a seat to advisors with a related non-underwriting dealer, favors certain advisors over others and it is very targeted. In practice, less than a handful of advisors fit that profile, in contrast to the multitude of dual-registrant municipal advisors who are affiliated with full-service dealers. It limits the perspectives of municipal advisors as well as ignores the MSRB registrants that are dually-registered and for whom municipal advisory services represent a significant part of their overall business. We believe that any individual who holds a Series 50 or 54 should be able to serve in the municipal advisor slot regardless of the type of municipal advisor they are associated with.

Above all, as a matter of good governance, the Board should exercise its flexibility to consider and solicit Board participation by an individual's area of expertise, not their association with a regulated class. We believe that the Board should be composed of members that have different backgrounds and experiences and represent various functions within the municipal securities market. We suggest that, on the industry side, the Board could benefit from having with members with public finance banking, compliance, operations, institutional and retail trading, or underwriting experience; whereas, on the public side, the Board could benefit from members from the issuer community, a buy-side investor, or a municipal analyst, for example.

II. Independence Standard

We also object to the proposal to increase the separation period for the Board's public representatives to five years from two years as unnecessary and with significant drawbacks. This is a solution in search of a problem. As the MSRB acknowledges, no one has questioned the independence, and value brought to the Board, of the current public representatives who were previously associated with regulated entities.² A longer separation will never fully address commentators' perceptions of a revolving door between the Board and the industry, and the MSRB will run the real risk of a smaller pool of eligible candidates who are not incentivized to return to public service and who may not retain the knowledge of a dynamic industry, particularly as technology changes firms' operations. The MSRB is already ahead of similarly-situated SROs in the securities industry, including FINRA, that do not have separation periods.³ That being said, should the MSRB articulate reasons beyond addressing perceptions why a longer separation period is necessary, we believe that a three-year period would balance out the

² MSRB Notice 2020-02 (Jan. 28, 2020) at 6.

³ FINRA By-Laws Art. I(tt).

perceptions of independence with the requisite need for public representatives to be knowledgeable of the municipal industry.

III. Other Comments

In general, we support the proposal to reduce the Board's size to 15 from 21 members. A smaller Board is more manageable and no longer necessary that significant Dodd-Frank related rulemaking has been completed. While we agreed with the transition plan to reduce the Board size, we would have preferred that the MSRB seek public comment prior to proposing a transition plan that it is essentially going to implement. Lastly, we do not see the value in a lifetime cap on membership terms. An alternative to achieve the MSRB's stated goals might be to prohibit a Board member from serving in the same class as his or her previous term.

Thank you for considering SIFMA's comments on proposed changes to the MSRB's Board. If any questions regarding the foregoing, please contact the undersigned at (212) 313-1130 or lnorwood@sifma.org, or (202) 962-7300 or bcanepa@sifma.org, respectively.

Sincerely,



Leslie M. Norwood
Managing Director
and Associate General Counsel



Bernard V. Canepa
Vice President
and Assistant General Counsel