

**From:** Michael Post  
**Sent:** Wednesday, March 19, 2014 3:49 PM  
**To:** OFM Performance and Planning  
**Subject:** SEC Draft Strategic Plan for FY 2014-2018

Mr. Mohan,

Please find attached the comment letter of the Municipal Securities Rulemaking Board on the SEC Draft Strategic Plan for FY 2014-2018.

If you have any questions regarding this matter, please call me at the below number.

Vikash Mohan  
Program Analyst  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20540-2521

**Re: Securities and Exchange Commission Draft FY 2014-2018 Strategic Plan**

Dear Mr. Mohan:

The Municipal Securities Rulemaking Board (“MSRB”) appreciates the opportunity to comment on the Securities and Exchange Commission’s (“SEC”) draft Strategic Plan for fiscal years 2014 through 2018 (“Draft Plan”). The MSRB commends the SEC for its deliberate and transparent strategic planning process, and for its solicitation of stakeholder and public input.

The SEC is the principal agency entrusted by Congress with the regulation of the U.S. securities markets. The SEC’s mission is to protect investors, maintain fair, orderly and efficient markets and facilitate capital formation. The MSRB is the primary regulator, with the SEC’s oversight, of the municipal securities market, and the only self-regulatory organization (“SRO”) created by Congress. The MSRB’s mission is to protect investors, state and local government issuers, other municipal entities and obligated persons, and the public interest by promoting a fair and efficient municipal securities market. It accomplishes this through: the establishment of rules for brokers, dealers and municipal securities dealers (collectively, “dealers”) and municipal advisors; the collection and dissemination of market information; and market leadership, outreach and education. Due to its similar statutory charge and mission, the MSRB not only supports many of the SEC’s draft strategic goals, objectives and planned initiatives, but, with respect to the municipal securities market, equally shares them.

### **Strategic Goal 1**

The MSRB supports the SEC’s strategic goal to establish and maintain an effective regulatory environment.

*Strategic Objective 1.1: The SEC establishes and maintains a regulatory environment that promotes high-quality disclosure, financial reporting, and governance, and prevents abusive practices by registrants, financial intermediaries, and other market participants.*

The MSRB supports and shares the SEC’s draft Strategic Objective 1.1, for which an SEC draft initiative is to strengthen the regulatory oversight of municipal advisors. The Draft Plan states that this would be undertaken “with a particular focus on registering municipal advisors under the permanent registration rules and reviewing rule filings by the Municipal Securities Rulemaking Board (MSRB) to implement the permanent municipal advisor registration rules” (Draft Plan at 8). Congress has granted the MSRB broad authority to propose and adopt, with SEC oversight, rules governing the municipal advisory activities of municipal advisors. The MSRB has prioritized the development of a regulatory framework for municipal advisors and already has begun publishing draft rules in this area. Thus, the SEC likely will have the opportunity to review rule filings made for a wide range of purposes, including the establishment of conduct rules, professional qualifications standards and fees to defray the costs of operating and administering the MSRB. To date, the MSRB has published for public comment draft rules on the standards of conduct, supervisory and compliance obligations, and professional qualifications requirements for municipal advisors. Ongoing and future priorities include rules addressing the potential for pay-to-play activities by municipal advisors, additional professional qualification requirements, gifts and gratuities given to employees of issuers and other market participants, and the duties of municipal advisors engaging in solicitation activities.

*Strategic Objective 1.2: The SEC promotes capital markets that operate in fair, efficient, transparent, and competitive manner, fostering capital formation and innovation.*

The MSRB supports draft Strategic Objective 1.2, under which a draft initiative is to appropriately oversee the system of self-regulation. As the Draft Plan recognizes, “[s]elf-regulation is a fundamental component of the regulation of U.S. securities markets and market intermediaries” (Draft Plan at 9). In this context, the Draft Plan refers generally to SROs, including exchanges, clearing agencies and the Financial Industry Regulatory Authority (“FINRA”). The Draft Plan discusses the importance of the SEC’s review of SRO proposed rule changes and the maintenance of ongoing dialogue with SROs. In this regard, the MSRB recognizes the SEC’s vital oversight role and likewise is committed to ongoing dialogue with the SEC. Furthermore, the MSRB supports the Draft Plan’s acknowledgment, through the related draft performance goal, of the importance of timely SEC review of SRO rule proposals.

The MSRB also supports the SEC’s draft initiative to enhance the market structure for fixed income securities. The Draft Plan states that the SEC “plans to pursue many of the recommendations highlighted in the July 2012 Report on the Municipal Securities Market (“SEC Report”) through a combination of SEC, MSRB, and FINRA initiatives, in an effort to enhance the market structure for all fixed income securities . . .” (Draft Plan at 10). The Draft Plan further states that this effort will include “initiatives aimed at promoting transparency and the

development of new mechanisms to facilitate the provision of liquidity, as well as initiatives to improve the execution quality of investor orders” (*id.*).

The MSRB recently published for public comment what would become, if adopted, the first explicit best-execution rule for the municipal securities market. Modeled on FINRA’s best-execution rule for the equity and corporate fixed income markets, the MSRB’s draft rule would require dealers to seek to obtain for their retail customer transactions the most favorable terms reasonably available under the circumstances. Although this rulemaking initiative was under consideration at the time of the SEC Report, it aligns with a recommendation in the report that the MSRB consider adopting a best-execution rule.

In addition, the MSRB is, with extensive market input, taking initial steps toward the gradual development of a central transparency platform to provide comprehensive, interactive and real-time display of pricing-related market data. A primary goal of the platform would be to improve municipal market transparency, particularly for retail investors. The concept of a central transparency platform was first outlined in the MSRB’s Long-Range Plan for Market Transparency Products in January 2012. The MSRB published in 2013 two requests for comments on this initiative and is analyzing and considering the comments. The MSRB looks forward to coordinating with and working with the SEC on these possible improvements to the municipal securities market.

*Strategic Objective 1.3: The SEC adopts and administers regulations and rules that are informed by robust economic analysis and public comment and that enable market participants to understand their obligations under the securities laws.*

The MSRB supports the SEC’s draft Strategic Objective 1.3. The Draft Plan states that the “SEC integrates robust economic analysis into the rulemaking process and rule releases, so that its rules are appropriately informed by economic reasoning and impacts.” (Draft Plan at 12.) Partially in support of the SEC’s obligations in this area, the MSRB has adopted and published a formal policy on the increased integration of robust economic analysis into its own rulemaking process. The MSRB’s policy provides that its purposes include meeting the rule approval standards of the SEC and helping the “SEC meet its statutory obligations to consider whether its approval of an MSRB proposed rule will promote efficiency, competition and capital formation.” The MSRB looks forward to working with the SEC on the integration of robust economic analysis into the rulemaking process.

## **Strategic Goal 2**

The MSRB supports the SEC's strategic goal to foster and enforce compliance with the federal securities laws, and, with respect to the municipal securities market, equally shares this goal.

*Strategic Objective 2.2: The SEC promptly detects and deters violations of the federal securities laws.*

The MSRB supports the draft strategic objective to promptly detect and deter potential securities law violations. The MSRB is likewise committed to identifying such violations early so that prompt corrective action can be taken before investors and the financial markets are harmed. Congress has specifically authorized the MSRB to "provide guidance and assistance in the enforcement of, and examination for, compliance with the rules of the Board" to the SEC and other appropriate regulatory agencies. Securities and Exchange Act of 1934 Section 15B(b)(4).

Accordingly, the MSRB supports the draft initiative to "[e]nhance surveillance and risk assessment capabilities" by "seek[ing] to obtain greater access to data and insights" from SROs (Draft Plan at 18). The MSRB engages in a variety of activities in this regard, including assisting in training the examination and enforcement staff of the SEC and other regulatory organizations; interpreting MSRB rules in connection with examination and enforcement activities; delivering information products that assist in surveillance, examinations and enforcement actions; and collaborating with the SEC and other regulators in identifying emerging risks and trends in the municipal securities market. For these purposes, MSRB staff meets on a regular basis with staff of the SEC, FINRA, and appropriate banking regulators. As one other example, the MSRB has developed and launched "Regulator Web," a secure, web-based portal into the MSRB's regulatory information about municipal securities transactions and dealers that consolidates access to information and data previously available only through separate interfaces or in paper form. The MSRB believes that continued frequent communication and information-sharing with the SEC and other regulators will result in a positive impact on the regulation of the financial markets.

The MSRB also supports the draft initiative to "[e]nhance sharing, cooperation, and joint initiatives both within the agency and with other regulators" (Draft Plan at 19). The Draft Plan states that this would "include continuing efforts to collaborate and share information with other regulators, such as FINRA, state regulators, [and] the CFTC," and does not specifically refer to the MSRB (*id.*). Given the extensive collaboration and information-sharing between the SEC and the MSRB, and the mutual interest in both continuing and enhancing these efforts, the MSRB would welcome being specifically included in this initiative.

Another draft initiative is to “[i]mprove management of tips, complaints, and referrals” (Draft Plan at 18). Relevant to this initiative, the MSRB has established a policy and related electronic platform for responding to inquiries regarding the application of MSRB rules and reports of possible securities law violations. If a possible securities law violation is reported, this system allows for the documenting and tracking of the issue, review by members of MSRB’s Market Regulation staff, and timely referral to the SEC and other appropriate regulatory organizations. The MSRB is committed to working with the SEC to continue to promptly and effectively refer potential securities law violations.

### **Strategic Goal 3**

The MSRB supports the SEC's draft strategic goal to facilitate access to the information investors need to make informed investment decisions and, with respect to the municipal securities market, equally shares that goal.

*Strategic Objective 3.1: The SEC works to ensure that investors have access to high-quality disclosure materials that facilitate informed investment decision-making.*

The MSRB supports and shares the SEC's draft strategic objective 3.1. Most prominent among the MSRB's activities in furtherance of this shared objective is its operation of the Electronic Municipal Market Access (EMMA®) website. EMMA makes available for free comprehensive information about municipal securities, including official statements and ongoing disclosure documents, to investors and all market participants – like the SEC's EDGAR system provides prospectuses and other issuer filing documents for non-municipal securities. In addition to these disclosure documents, EMMA provides access to market data, including real-time trade data and credit ratings, as well as investor-focused educational resources and tools to aid in accessing information and staying informed. Information is provided for each municipal security in a consolidated format so that investors can readily access pertinent information about a municipal security throughout the life of the financial instrument. The MSRB has developed free tools and resources on financial disclosure to assist issuers in better understanding and complying with their disclosure obligations in an effort to ensure that investors are able to access such information.

Consistent with the MSRB's Long-Range Plan for Market Transparency Products, the MSRB is continually enhancing EMMA to further advance investor access to disclosure materials critical to making informed investment decisions. The MSRB welcomes future opportunities to collaborate with the SEC in furtherance of this shared objective.

*Strategic Objective 3.2: The SEC works to understand investor needs and educate investors so they are better prepared to make informed investment decisions.*

The MSRB supports and shares draft strategic objective 3.2. Currently, the MSRB provides free educational information to investors about the features of EMMA and basic information about navigating the municipal market in an Investor Toolkit. The toolkit is designed to help investors gain confidence in their ability to evaluate, purchase and monitor municipal bond investments, and learn how to use EMMA to locate additional information and resources. In 2013, the MSRB produced an Investor's Guide to Financial Disclosures to explain the various types of financial disclosures and how investors can use EMMA to locate these documents.

A draft SEC initiative under this objective is to “[e]xpand collaborative partnerships;” specifically, to “partner with other federal and state agencies, securities regulators, and non-profit organizations” on educational initiatives (Draft Plan at 29). The MSRB welcomes continued dialogue and partnership with the SEC in these areas to advance our shared goals and objectives related to facilitating access to the information investors need to make informed investment decisions.

If you have any questions regarding this matter, please contact me or Michael L. Post, Deputy General Counsel, at (703) 797-6600.

Sincerely,  
Lynnette Kelly  
Executive Director