

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-100589; File No. SR-MSRB-2024-01)

July 25, 2024

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing of Amendment No. 1 to Proposed Rule Change Consisting of Amendments to MSRB Rule G-14 to Shorten the Timeframe for Reporting Trades in Municipal Securities to the MSRB

I. Introduction

On January 12, 2024, the Municipal Securities Rulemaking Board (“MSRB”) filed with the Securities and Exchange Commission (“SEC” or “Commission”), pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² a proposed rule change to (1) amend MSRB Rule G-14 (“Rule G-14”), on reports of sales or purchases, to (i) shorten the amount of time within which brokers, dealers, and municipal securities dealers (collectively, “dealers,” and each individually, a “dealer”) must report most transactions to the MSRB; and (ii) require dealers to report certain transactions with a new trade indicator, and make certain clarifying amendments, and (2) make conforming amendments to MSRB Rule G-12, on uniform practice (“Rule G-12”), and the MSRB’s Real-Time Transaction Reporting System (“RTRS”) Information Facility (“IF-1”) to reflect the shortened reporting timeframe (collectively, the “proposed rule change”).³ The proposed rule change was published for comment in the Federal Register on January 26, 2024.⁴

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ See Exchange Act Release No. 99402 (Jan. 19, 2024), 89 FR 5384 (Jan. 26, 2024) (“Notice”).

⁴ *Id.* at 5384.

The Commission received comments in response to the proposed rule change.⁵ On April 22, 2024, the Commission instituted proceedings under Section 19(b)(2)(B) of the Act⁶ to determine whether to approve or disapprove the proposed rule change.

On July 18, 2024, the Commission, pursuant to Section 19(b)(2) of the Act,⁷ designated September 20, 2024, as the date by which the Commission shall either approve or disapprove the proposed rule change.⁸ On July 18, 2024, the MSRB responded to comments⁹ and filed Amendment No. 1 to the original proposed rule change (“Amendment No. 1”). The text of Amendment No. 1 is available on the MSRB’s website.¹⁰

II. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Amendment

As described further below, the MSRB filed Amendment No. 1 to amend the proposed rule change to (i) revise the definition of a “dealer with limited trading activity” in proposed subsection (d)(xi) of Rule G-14 RTRS Procedures¹¹ and (ii) modify the pace of phasing-in the

⁵ Comment letters received by the Commission are available on our website at <https://www.sec.gov/comments/sr-msrb-2024-01/srmsrb202401.htm>.

⁶ 15 U.S.C. 78s(b)(2)(B).

⁷ 15 U.S.C. 78s(b)(2).

⁸ *See* Exchange Act Release No. 100557 (July 18, 2024), 89 FR 59951 (July 24, 2024) (“Extension”).

⁹ *See* Letter from Ernesto A. Lanza, Chief Regulatory and Policy Officer, MSRB, to Secretary, Commission, dated July 18, 2024, available at <https://www.sec.gov/comments/sr-msrb-2024-01/srmsrb202401-491663-1411646.pdf>.

¹⁰ Amendment No. 1 is available at <https://www.msrb.org/sites/default/files/2024-07/MSRB-2024-01-A-1.pdf>.

¹¹ The MSRB stated that the revision to the proposed definition of dealer with limited trading activity does not have a material impact on the MSRB’s economic analysis included in the original proposed rule change. *See* Amendment No. 1 at 9.

shortened reporting timeframe for a “trade with a manual component” in proposed Supplementary Material .02(b).

A. Exception for Dealers with Limited Trading Activity

The MSRB noted that upon further review of the methodology used for proposing a 1,800-trade threshold for qualifying for the dealer with limited trading activity exception in the original proposed rule change, the MSRB had determined to increase the threshold to 2,500 trades in connection with a modification of its methodology.¹²

In establishing the original proposed threshold of 1,800 trades, the MSRB explained that it had used an approach, consistent with other instances where MSRB rules and related transparency activities had been based on inter-dealer trade activity, that relied solely on the sell-side inter dealer trade reports to avoid, for those specific purposes, potential double counting if both the sell-side and buy-side were used.¹³ The MSRB stated that the calculations discussed in the Notice underlying the 1,800-trade threshold in the proposed definition of “dealer with limited trading activity” resulted in a lower threshold and did not fully account for inter-dealer trade reports since only the sell-side inter-dealer trade reports were taken into account.¹⁴ In order to maintain comparability with the threshold used by the Financial Industry Regulatory Authority, Inc. (“FINRA”) in its proposed definition of “member with limited trading activity”¹⁵ and in light of the plain meaning of the language of the MRSB’s proposed definition of “dealer with

¹² See Amendment No. 1 at 7.

¹³ *Id.* at 7-8.

¹⁴ *Id.* at 8.

¹⁵ See Exchange Act Release No. 99404 (Jan. 19, 2024), 89 FR 5034 (Jan. 24, 2024) (“FINRA Notice”).

limited trading activity,” the MSRB explained that it had recalculated the appropriate threshold for such definition to be 2,500 trades, taking into account both sell-side and buy-side inter-dealer trade reports together with reports of dealer trades with customers, regardless of whether the dealer bought or sold in the customer transaction.¹⁶ The MSRB also stated that Amendment No. 1 would add clarifying language to reflect that the threshold is based on both sell-side and buy-side inter-dealer and customer trade reports.¹⁷ Thus, proposed subparagraph (d)(xi) of Rule G-14 RTRS Procedures would define a dealer with limited trading activity as a dealer that, during at least one of the two prior consecutive calendar years, reported to an RTRS Portal fewer than 2,500 purchase or sale transactions with customers or other dealers, excluding certain exempted transactions as specified therein.¹⁸ The MSRB further noted that the proposed new threshold would continue to account for only a very small portion of the market volume and therefore would have minimal impact on overall trading.¹⁹

¹⁶ See Amendment No. 1 at 8. The MSRB explained that reports of dealer trades with customers, regardless of whether the dealer bought or sold in the transaction, were included in the original methodology and continue to be included in the revised methodology. Based on this change in methodology, the total number of trade reports in 2022 has changed to 16.8 million when counting both the buy-side and the sell-side trades for inter-dealer trades. Previously, when only counting the sell side trades for inter-dealer trades, the total number of reported trades in 2022 was 12.1 million. See Amendment No. 1 n. 21.

¹⁷ See Amendment No. 1 at 8.

¹⁸ *Id.*

¹⁹ See Amendment No. 1 at 9. The MSRB stated that the revised number of transactions under Amendment No. 1 would be expected to continue to capture approximately 1.5 percent of the trades in the municipal securities markets in a given calendar year, based on transaction data from calendar year 2022.

B. Exception for Trades with a Manual Component

The MSRB noted concerns expressed by commenters regarding potential difficulties in achieving dramatically shortened reporting timeframes for at least some trades with a manual component and whether dealers would have sufficient time to make the necessary changes to processes and technology to achieve such shortened timeframes, and determined to modify the pace of phasing-in the shortened reporting timeframe for trades with a manual component to extend the period during which such trades would be reportable by no later than 10 minutes after the Time of Trade from one year to two years.²⁰

The MSRB explained that Amendment No. 1 would, in part, amend proposed Supplementary Material .02(b) to provide in clause (ii) that a trade with a manual component must be reported no later than 10 minutes after the Time of Trade for the second and third calendar years (rather than only the second year) from the effective date of the proposed rule change and to provide in clause (iii) that a trade with a manual component would become reportable no later than five minutes after the Time of Trade after the conclusion of the third calendar year (rather than the second calendar year) from the effective date of the proposed rule change.²¹

The MSRB further explained that the proposed rule change sets out a phased-in implementation of the exception for manual trades that would provide for an ultimate five-minute timeframe for the reporting of such trades. The MSRB also noted that no further reductions in such timeframe, and no elimination of the manual trade exception, could be possible without additional formal rulemaking by the MSRB that would be filed with the

²⁰ See Amendment No. 1 at 9.

²¹ *Id.*

Commission, and that any such change would be subject to the required notice and comment process under Section 19 of the Exchange Act.²²

Furthermore, the MSRB stated that it would monitor the implementation of the proposed rule change and, going forward, would analyze trade data related to the operation of the proposed two new exceptions to, among other things, determine whether the eventual five-minute trade reporting timeframe that would become applicable after two years continues to be feasible and appropriate in light of the empirical data collected through the earlier phases of implementation.²³ The MSRB further explained that it would be prepared to take action to provide appropriate guidance or undertake appropriate modifications in connection with the phase-in of the manual trade exception should circumstances warrant any such action, including, but not limited to potentially filing a proposed rule change to extend the implementation period for the eventual five-minute timeframe for trades with a manual component.²⁴

As noted by the MSRB, Amendment No. 1 would provide for a modified phase-in of the shortened reporting timeframe for trades with a manual component that the MSRB believes would foster a more orderly transition to more rapid reporting of manual trades.²⁵ Additionally, the MSRB explained that Amendment No. 1 would allow the MSRB to undertake a more meaningful and timely analysis of potential impacts of the intermediate 10-minute reporting stage in the phase-in process.²⁶ Specifically, the MSRB observed the extended timeframe would

²² 15 U.S.C. 78s. *See* Amendment No. 1 at 9.

²³ *See* Amendment No. 1 at 9.

²⁴ *Id.*

²⁵ *Id.* at 10.

²⁶ *Id.*

provide more time and data for the MSRB to understand whether any adverse impacts have developed as a result of the shortened reporting timeframe to 10 minutes so that the MSRB can determine whether it should undertake additional rulemaking to modify implementation or phase-in of the final step to a five-minute timeframe.²⁷

III. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the filing as amended by Amendment No. 1 is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<https://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MSRB-2024-01 on the subject line.

Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549.

All submissions should refer to File Number SR-MSRB-2024-01. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all statements with respect to the proposed rule change that are filed with the Commission, and all written communications

²⁷ *Id.*

relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the MSRB. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. We may redact in part or withhold entirely from publication submitted material that is obscene or subject to copyright protection.

All submissions should refer to File Number SR-MSRB-2024-01 and should be submitted on or before [INSERT DATE 21 DAYS AFTER DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

For the Commission, pursuant to delegated authority.²⁸

Sherry R. Haywood,
Assistant Secretary.

²⁸ 17 CFR 200.30-3(a)(12).