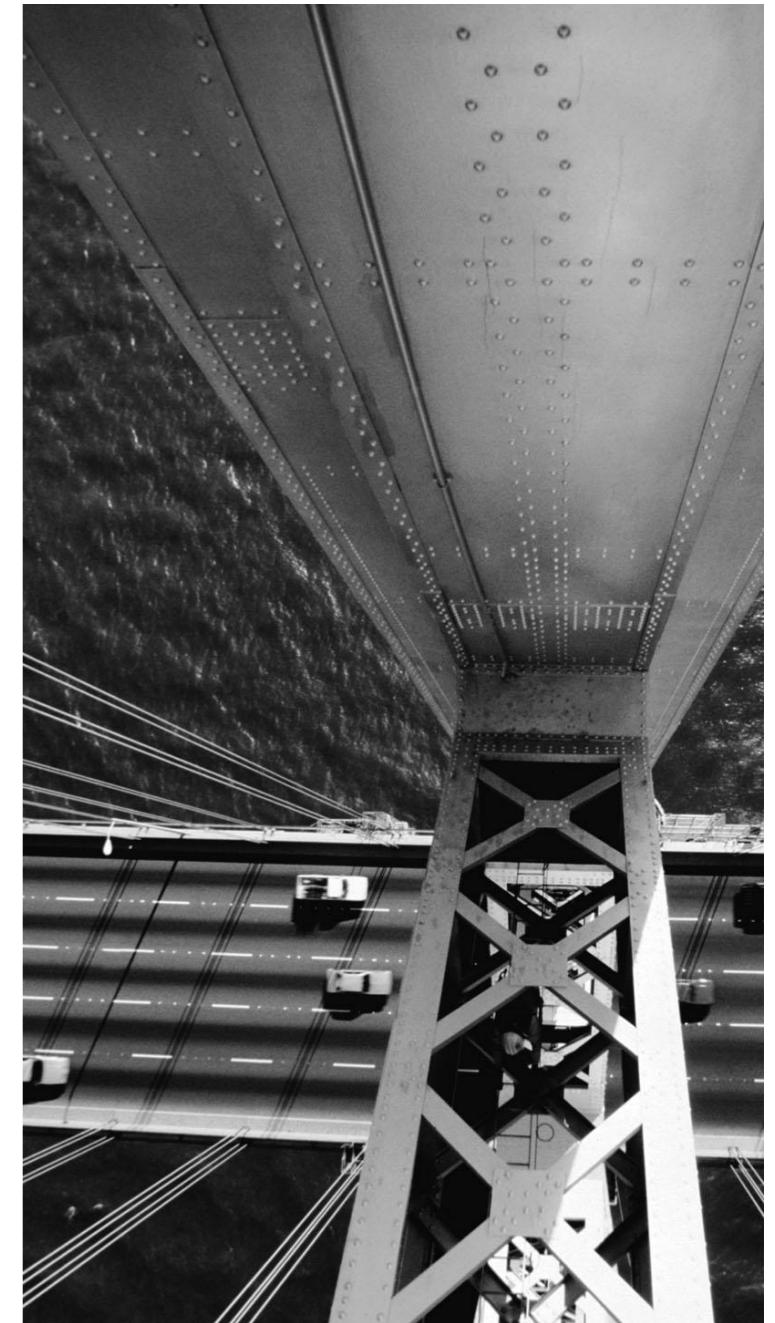


The MSRB and Dodd-Frank: Financial Reform Impact on State and Local Governments

Florida Trust Finance Seminar
August 26, 2011



MSRB

Municipal Securities
Rulemaking Board

The Role of the MSRB

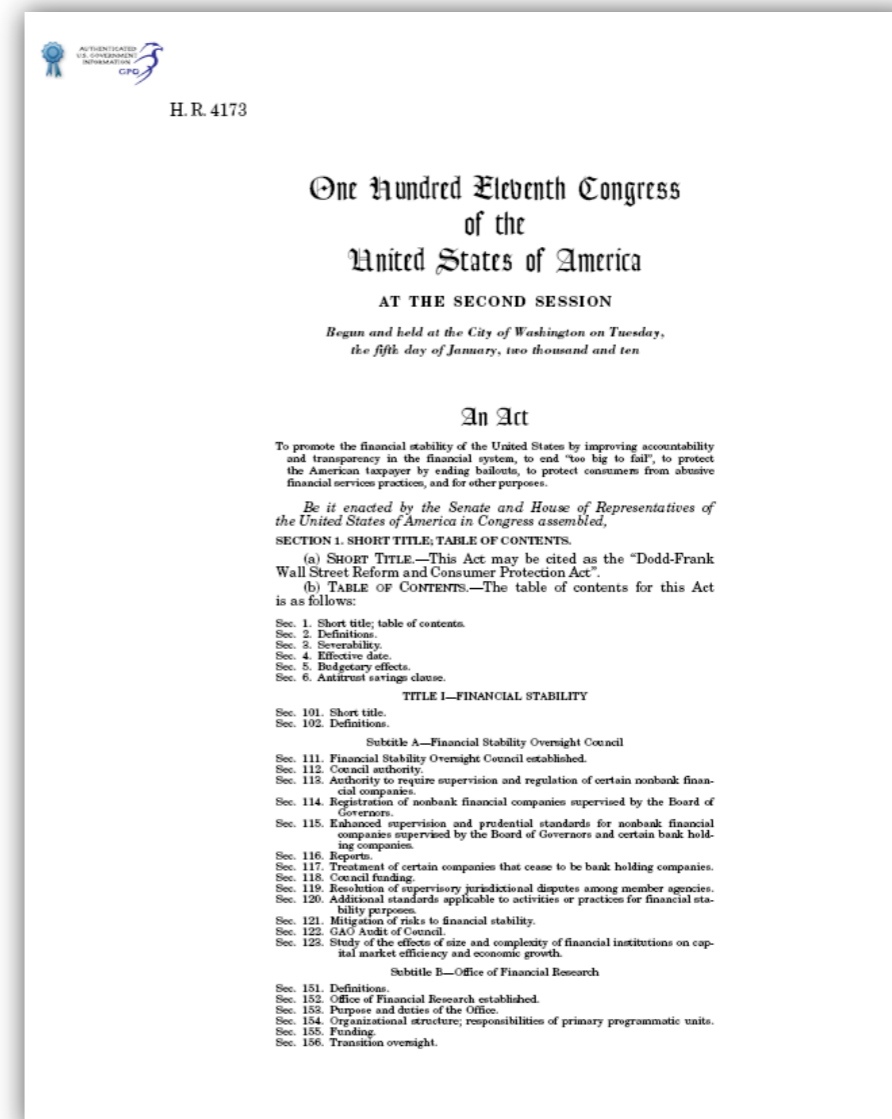


- A self-regulatory organization
- Seeks to promote a fair, efficient and transparent municipal market
- Established in 1975 to protect municipal market investors by regulating municipal securities dealers
- Began operating the Electronic Municipal Market Access (EMMA) system in 2008

Dodd-Frank Wall Street Reform and Consumer Protection Act



- Signed into law July 21, 2010
- Most significant piece of municipal market legislation since 1986
- Expanded both the MSRB's mission and jurisdiction



Dodd-Frank Act and Municipal Advisor Regulation



- Expanded the MSRB's jurisdiction to include municipal advisors
- Dodd-Frank defines municipal advisor broadly
- Definition includes advisors in municipal securities transactions AND in municipal financial products, including derivatives, guaranteed investment contracts, and investment strategies
 - Examples of municipal advisor activities:
 - Recommending a municipal entity or obligated person enter into a variable rate demand obligation financing
 - Providing advice on investment of bond proceeds

MSRB Municipal Advisor Regulation



- MSRB is adopting a comprehensive set of rules for municipal advisors to:
 - Prohibit fraud and manipulative practices
 - Establish fiduciary obligation to municipal entity clients
 - Require fair treatment of investors, municipal entities and obligated persons
 - Restrict real and perceived conflicts of interest

Core Duties of Municipal Advisors to Municipal Entities and Obligated Persons



- MSRB filed with the SEC a pay-to-play rule for municipal advisors similar to that currently in effect for underwriters
- MSRB's "fair dealing" rule (MSRB Rule G-17) requires municipal advisors to deal fairly with all persons
 - In August 2011, the MSRB proposed guidance on a municipal advisor's fair dealing obligations in cases where a fiduciary duty does not apply
- Dodd-Frank established federal fiduciary duty of municipal advisors to municipal entities, which duty extends to all issuers

Fiduciary Duty of Municipal Advisors to Issuers



- In August 2011, the MSRB proposed new rule and interpretive guidance on municipal advisors' duty, including:
 - Owe duty of loyalty and care to municipal entity
 - Recommendations must be in best interest of municipal entity
 - Disclosure of conflicts of interest & receipt of municipal entity's informed consent
 - Prohibition of certain unmanageable conflicts (no kick-backs, fee-splitting, excessive compensation; limited principal positions)
 - Possession of necessary qualifications to render informed advice
 - Obligation to investigate reasonably feasible alternatives

Fair Dealing Duties of Underwriters to Issuers



- MSRB continues to regulate municipal securities dealers and has placed renewed emphasis on their duties to issuers in light of new municipal entity protection mission
- MSRB's "fair dealing" rule (MSRB Rule G-17) requires underwriters and other dealers to deal fairly with municipal entities

Fair Dealing Duties of Underwriters to Issuers



- In August 2011, the MSRB proposed guidance on fair dealing duties of underwriters to issuers, including:
 - Material misrepresentations or omissions prohibited
 - Heightened disclosures to issuers about material risks and terms of complex new issue financings
 - Disclosure to issuer of conflicts of interest
 - New issue price an underwriter pays to an issuer must be fair and reasonable
 - Underwriter compensation must not be excessive

Dodd-Frank and the Protection of Issuers and Obligated Persons



- Although Dodd- Frank expanded the MSRB's mission, the MSRB does not regulate issuers of municipal securities, nor public pension funds and is not seeking to do so
- However, MSRB activities affect all municipal entities and obligated persons, and the MSRB's role is to ensure that the municipal market operates fairly and efficiently
- Put simply, the MSRB seeks to create the conditions for fair, well-informed financial decisions by all market participants

MSRB Protection of Municipal Entities and Obligated Persons



- MSRB protects municipal entities by:
 - Establishing rules to effectuate the federal fiduciary duty of municipal advisors to municipal entities
 - Promoting market fairness and efficiency
 - Minimizing conflicts of interests
 - Establishing professional qualification standards
 - Providing access to key market disclosure and data through EMMA
- MSRB also protects obligated persons, although federal fiduciary duty only extends to municipal entities

Tools for Municipal Entities and Obligated Persons



- Regulation of key market intermediaries
- Municipal entities and obligated persons can check to see if their dealers and advisors are registered with the MSRB through the MSRB's website
 - Registered Dealer List
 - <http://www.msrb.org/msrb1/pqweb/registrants.asp>
 - Registered Advisor List
 - <http://www.msrb.org/msrb1/pqweb/MARegistrants.asp>

The Rulemaking Process

Identify an Issue

- Board discussion
- Does this issue warrant rulemaking?
- Are there other alternatives?

Rule Proposal

- Publish for comment

Board Discussion of Comments

- All comment letters go to the Board

Proposed Rule filed with SEC for Approval

- All points made by commentators must be addressed in filing

SEC Publishes Proposed Rule in Federal Register for Comment

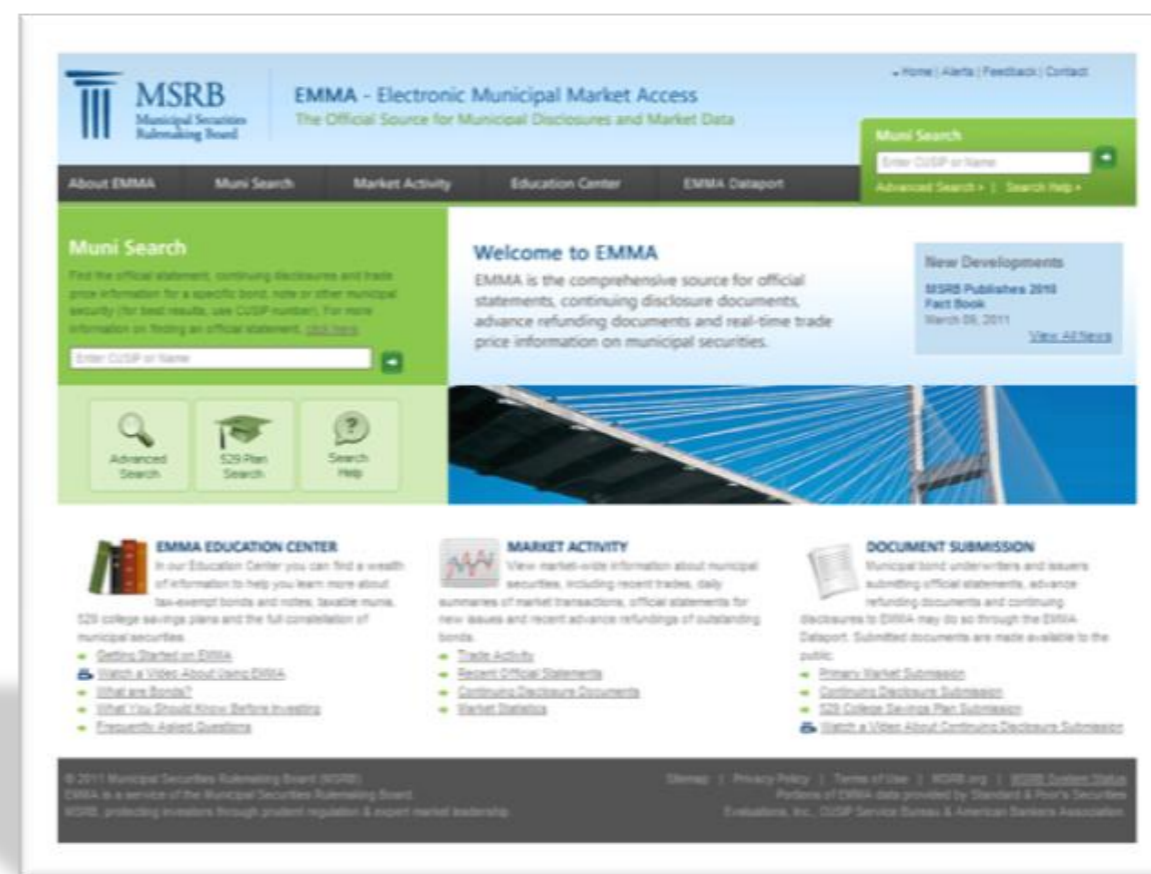
- Additional comment period
- SEC generally asks MSRB to respond to any comments made

SEC Approval Order

- Final action required
- Has the force and effect of Federal law
- Goes into effect on specific date

Tools for Issuers Market Transparency

- EMMA, at www.emma.msrb.org, is a centralized collection of municipal disclosure documents and trade data that provides access to key market information free of charge
- In 2010, EMMA received an average of 19 million page views per month



EMMA Overview



- What is Available on EMMA?
 - Official Statements
 - Advance Refunding Documents
 - Continuing Disclosure Documents
 - 529 Plan Disclosure Documents
 - Municipal Trade Data
 - Interest Rate Resets, Data Elements and Key Documents for ARS and VRDOs
 - Market Statistics
 - Educational Resources

EMMA as a Issuer's Tool

- EMMA provides comprehensive coverage of what is happening with an issuer's bonds, such as:
 - Where are your bonds trading, and where are comparable bonds trading?
 - How are your VRDOs performing, and how are comparable VRDOs behaving?
 - How are other issuers structuring their issues?
 - What are the continuing disclosure practices of other issuers?

Recent Enhancements – Continuing Disclosure Information



- As of Feb. 2011 underwriters must report:
 - Existence of continuing disclosure agreement
 - Identities of Obligated Persons
 - Contractual timeframe for filing annual financials

A screenshot of the MSRB website's "Continuing Disclosure" section. The page has three tabs: "Official Statement", "Continuing Disclosure" (selected), and "Trade Activity". Below the tabs, a message states: "Underwriter has indicated that the issuer or obligated person(s) have agreed to provide Continuing Disclosure Information." This is followed by a section titled "FINANCIAL INFORMATION & DOCUMENTS" with a "Collapse" button. A dropdown menu is open, showing "Underwriter indicates that issuer annual financial information is contractually due on January 26 of each calendar year". Below this is a calendar grid with months from JAN to DEC. A message below the calendar reads: "The MSRB began collecting continuing disclosures on July 1, 2009. No financial documents have been received for this security." Below this is a section titled "MATERIAL EVENTS NOTICES" with a "Collapse" button. A "Most Recent" event filing is listed: "Event Filing as of 03/14/2011 posted 03/15/2011 (28 KB)" with a "details" link. Below this is a "Bond Call" section with another event filing: "Event Filing as of 03/14/2011 posted 03/15/2011 (28 KB)" with a "details" link. At the bottom is a section titled "ADVANCE REFUNDING DOCUMENTS" with a "Collapse" button and the text "No advanced refunding documents available." A "View Document Archive" link is at the bottom right.

NEW Visual display of timing for annual financials

NEW Display of most recent filing

NEW Visual confirmation of continuing disclosure agreement

NEW Easy-to-use format

Recent Enhancements – Expanded ARS/VRDO Information



- As of May 2011, additional data elements and key documents for variable rate securities are required from dealers

NEW Type, provider and expiration date for each liquidity provision

NEW Liquidity documents

NEW Identity of tender agent

NEW Calculated bid-to-cover ratio computed using order information

NEW Reports of all orders submitted by program dealers to an auction agent

NEW Information on current holders

Official Statement | **Continuing Disclosure** | **Trade Activity** | **VRDO Information**

Maximum Rate: 8
Minimum Rate:
Minimum Denomination: \$5,000
Notification Period: 7 days
Reset Period: 7 days
Remarketing Agent: A. BRIDGE - Realvest Securities Corp.
Liquidity Facility: LOC | Provider Identity: TD BANK | Expiration: 04/15/2015
Tender Agents: BANK OF NY

VRDO Documents
Letter of Credit posted 05/16/2011 (591 KB)

VRDO Rate History since April 1, 2009

Reset Date and Time	Interest Rate	Rate Type	Rate Effective Date	Aggregate Par Amount Bank Bonds	Aggregate Par Amount Investors and Remarketing Agent
05/16/2011 : 07:00 AM	0.3	R	05/16/2011	\$0	\$15,960,000

ARS D

Maximum Rate: 12
Minimum Denomination: \$0
Reset Period: 7 days
Program Dealer(s): Goldman, Sachs & Company; J.P. Morgan Securities Inc.; Morgan Stanley & Co. Incorporated

Auction Results since Jan 30, 2009

Reset Date and Time	Interest Rate	Rate Type	Bid to Cover Ratio
05/17/2011 : 01:22 PM	0.7	A	290.909

Order Type	Order Entity	Order Interest Rate	Order Par Amount	Filled Par Amount
Buy	Investor	0.44	\$25,000	\$25,000
Buy	Program Dealer	0.7	\$70,000,000	\$250,000
Sell	Investor		\$275,000	\$275,000
Hold	Investor	0.44	\$9,975,000	\$9,975,000
Hold	Investor		\$17,955,000	\$4,025,000

Recent Enhancements – Voluntary Issuer Pre-sale Documents



EMMA - Electronic Municipal Market Access
The Official Source for Municipal Disclosures and Market Data

Home > Market Activity

Market Activity

EMMA's market activity pages provide a window for viewing market-wide information about municipal securities. Click on the tabs below to view recent trade data, official statements, continuing disclosures, advance refunding documents, daily market statistics, and recent data on auction rate securities (ARS) and variable rate demand obligations (VRDO).

Newly Posted Pre-Sale Documents
View preliminary official statements and other pre-sale documents recently posted on EMMA. Click on Issue Description to download document.
[Learn More](#)

Recent Trades | Official Statements | **Pre-Sale Documents** | Continuing Disclosure | Refunding Information | Market Statistics | ARS Data | VRDO Data

Most recent postings of Pre-Sale Documents: Today | Yesterday | This Week | Last Week [Refresh](#) [Search...](#)

Displaying 1 record.

NEW Market Activity Tab

Posting Date Time	Issuer Name * ▲	State	Issue Description *	Dated Date	Pre-Sale Documents
04/28/2011 : 09:02 AM	TEST ISSUER NAME	AK	TEST ISSUE DESCRIPTION		Available

[Return to Top](#)

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Portions of EMMA data provided by Standard & Poor's Securities Evaluations, Inc., CUSIP Service Bureau & American Bankers Association.

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Recent Enhancements – Voluntary Issuer Continuing Disclosure



Security Details

CUSIP:
Dated Date: 05/01/2008
Maturity Date: 05/01/2010
Interest Rate: 4.1 %
Principal Amount At Issuance: \$75,000
Initial Offering Price: 103.102

Official Statement | **Continuing Disclosure** | Trade Activity

Underwriter has indicated that the issuer or obligated person(s) have agreed to provide Continuing Disclosure Information.

FINANCIAL INFORMATION & DOCUMENTS Collapse ▲

Most Recent

- Budget 2010-2011 for the year ended 06/30/2010 Document2 posted 04/28/2011 (3.4 MB) [details](#)
- Budget 2010-2011 for the year ended 06/30/2010 Document1 posted 04/28/2011 (3.4 MB) [details](#)
- CAFR 2009-2010 for the year ended 06/30/2010 Document2 posted 04/28/2011 (3.4 MB) [details](#)
- CAFR 2009-2010 for the year ended 06/30/2010 Document1 posted 04/28/2011 (3.4 MB) [details](#)

Issuer: Test Org Name

- Underwriter indicates that issuer annual financial information is contractually due on June 30 of each calendar year.
- Issuer voluntarily agrees to submit annual financial information on or prior to 150 days after fiscal year end on December 31 (FYE) (Anticipate transitioning to 120 days for fiscal year 2012)

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC FYE

Issuer voluntarily agrees to submit financial statement pursuant to **GAAP-FASB**. (Pre July 01, 2009, Financial Information) Issuer has provided the following external link for additional financial information: [Click here](#)

Financial/Operating Filing
 Audited Financial Statements or CAFR

- CAFR 2009-2010 for the year ended 06/30/2010 Document2 posted 04/28/2011 (3.4 MB) [details](#)
- CAFR 2009-2010 for the year ended 06/30/2010 Document1 posted 04/28/2011 (3.4 MB) [details](#)

Budget

- Budget 2010-2011 for the year ended 06/30/2010 Document2 posted 04/28/2011 (3.4 MB) [details](#)
- Budget 2010-2011 for the year ended 06/30/2010 Document1 posted 04/28/2011 (3.4 MB) [details](#)

MATERIAL EVENTS NOTICES Collapse ▲

The MSRB began collecting continuing disclosures on July 1, 2009. No material event notices have been received for this security.

ADVANCE REFUNDING DOCUMENTS Collapse ▲

No advance refunding documents available.

[View Document Archive](#)

Local intranet 100%

Not the security you were looking for?
 → See other securities in this issue
 → Start a new search

Alert Me!
 Receive alerts if any primary market or continuing disclosure materials are posted for this issue.

[Sign Up for Alerts](#)

What is continuing disclosure?
 Continuing disclosures, including advance refunding documents, provide important information about a security after initial issuance.

[Learn More](#)

Terminology Help
 → View our Glossary of Terms

NEW Voluntary disclosure of timing of annual financials (120/150 days)

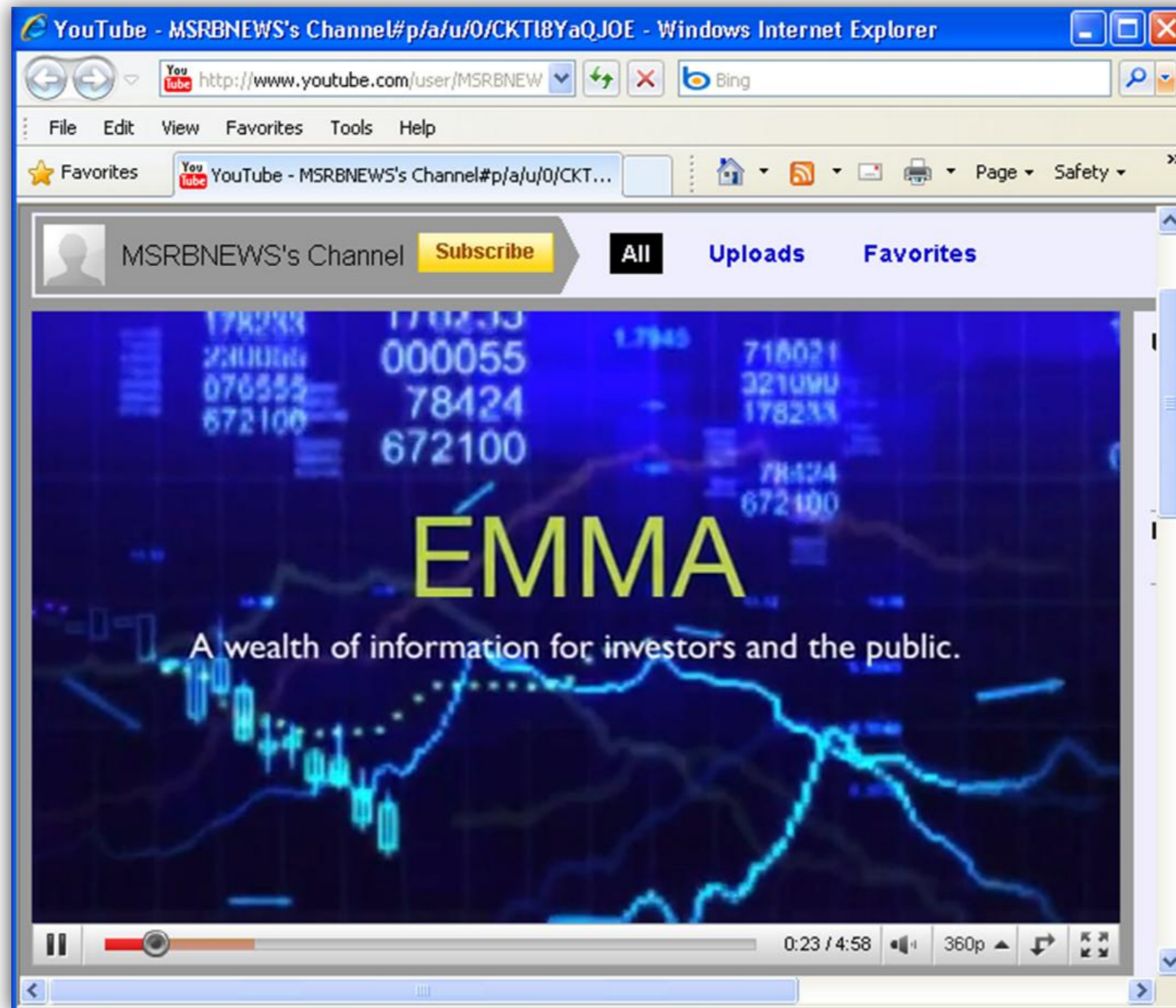
NEW Voluntary URL with additional financial information

NEW Voluntary disclosure of accounting standard (GASB/FASB)

Recent and Upcoming Enhancements

- Primary market documents
 - Also effective May 2011, issuers can voluntarily submit:
 - Official Statements
 - Advance Refunding Documents
 - 529 Plan Disclosure Documents
- Current Credit Ratings
 - Available on EMMA in the fall of 2011

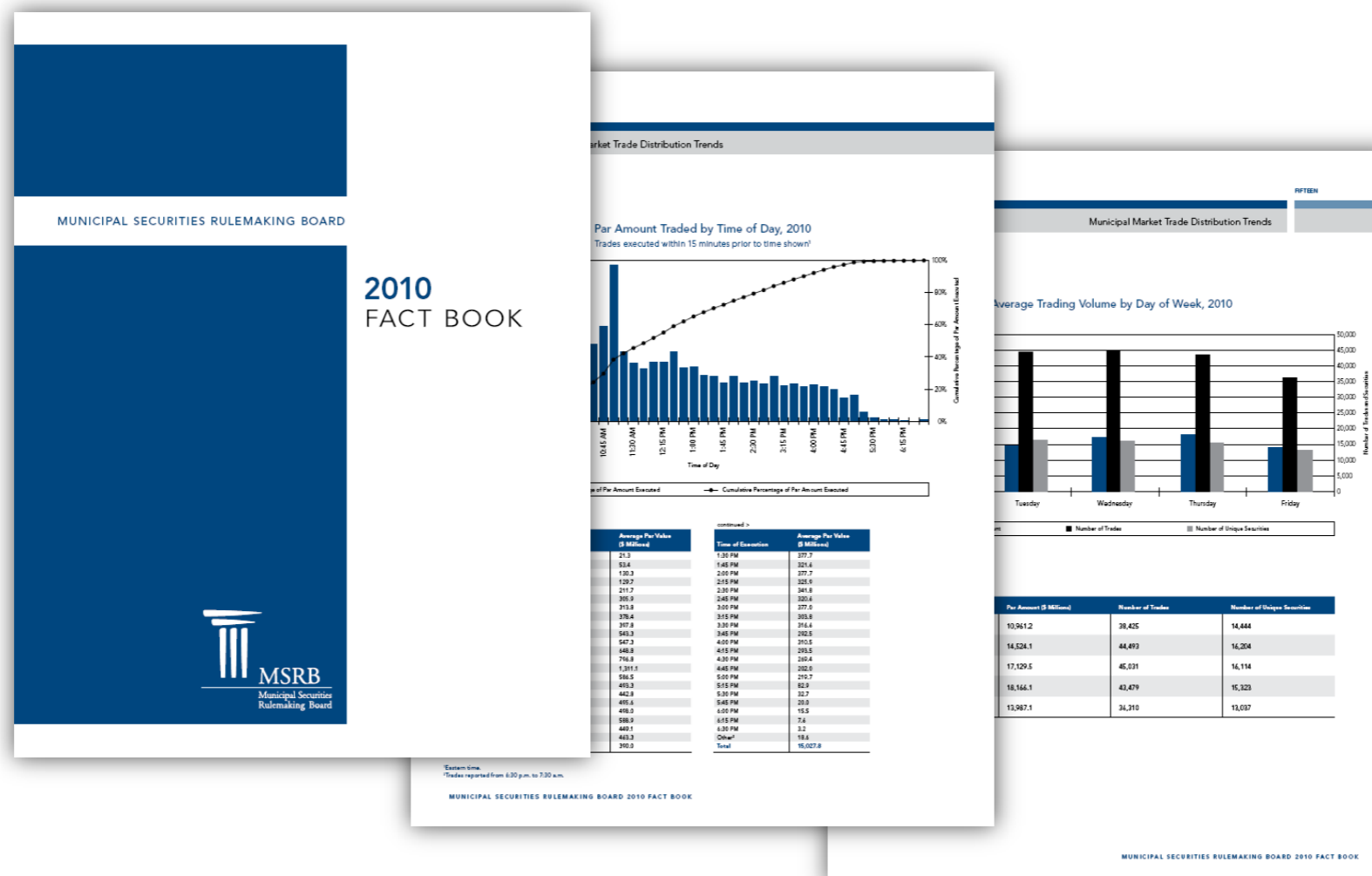
EMMA – Education Center



EMMA – Fact Book

- Each year, the MSRB publishes a Fact Book containing analysis of key EMMA data

<http://www.msrb.org/msrb1/pdfs/MSRB2010FactBook.pdf>



Filing a Complaint

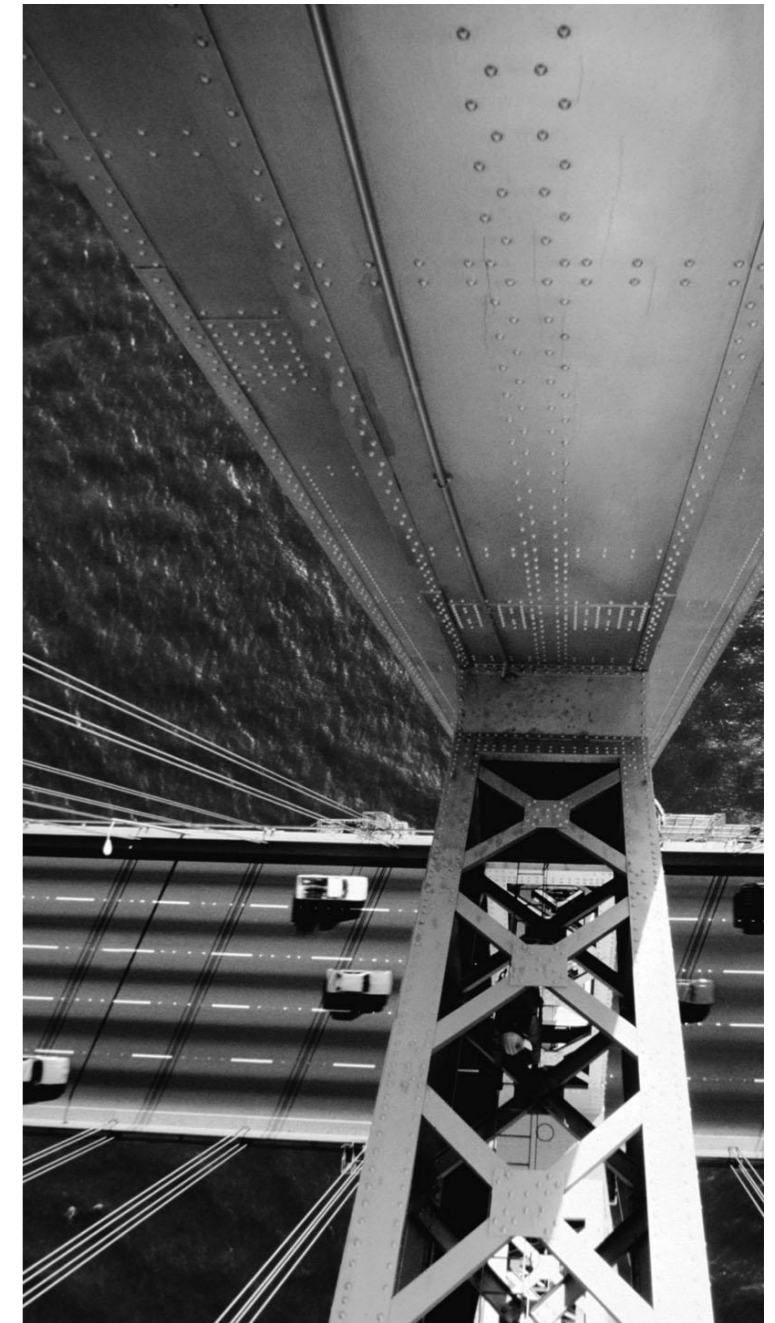


- Complaints about any possible securities law violation may be filed with the SEC
- Complaints about a municipal securities firm or individual dealer may be filed with FINRA
- Complaints about bank dealers may be filed with the appropriate bank regulator (Federal Reserve, FDIC, OCC)
- Complaints about possible violations of MSRB rules may be submitted to the MSRB at (703) 797-6668 or complaints@msrb.org
 - The MSRB will direct the complaint to the appropriate authority

Questions?

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