



June 28, 2021

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

Re: Request for Comment on Amendments to Rule G-10 Notification Requirements for Dealers

Dear Mr. Smith:

The American Securities Association (ASA)¹ appreciates this opportunity to comment on the Municipal Securities Rulemaking Board's (MSRB) proposed amendment to MSRB Rule G-10 and associated draft amendment to Rule G-48 that deal with notifications dealers are required to provide customers regarding the application of MSRB and Securities and Exchange Commission (SEC) rules to municipal security transactions. (Proposal)

The ASA largely supports the Proposal and is pleased the MSRB has conducted a review of the 2017 amendments to Rule G-10. Rule G-10 currently requires dealers to provide customers in writing: (1) A statement that the dealer is registered with the SEC and MSRB; (2) the website address for the MSRB; and (3) notifying the customer of the availability of an MSRB brochure that outlines the protections provided by MSRB rules and how a customer can file a complaint with a regulatory authority.

The 2017 amendments mandated dealers provide these annual notifications to *all* customers, regardless of whether a customer transacted in municipal securities or had any intention at all to transact in municipal securities. This effectively required dealers to provide disclosures to many customers that were irrelevant given their trading history.

The ASA believes a much more thoughtful and targeted approach is appropriate, and we are pleased the Proposal properly balances the need to provide certain customers with municipal-related disclosures with the costs that are imposed on dealers for complying with these requirements. The Proposal would require dealers to provide disclosures only to customers that have transacted in municipal securities within the last year or who currently hold a municipal securities position. This will ensure that actual municipal customers receive the necessary

¹ The ASA is a trade association that represents the retail and institutional capital markets interests of regional financial services firms who provide Main Street businesses with access to capital and advise hardworking Americans how to create and preserve wealth. The ASA's mission is to promote trust and confidence among investors, facilitate capital formation, and support efficient and competitively balanced capital markets. This mission advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership of almost one hundred members that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.





american securities association

America's Voice for Main Street's Investors

disclosure, save other customers from receiving irrelevant information, and mitigate the compliance burdens upon dealers.

ASA also supports the proposed changes to Rule G-48 that would provide an exception to Rule G-10 for disclosures provided to sophisticated municipal market professionals (SMMPs), so long as a dealer maintains these notifications on its website. However, we believe the MSRB should eventually adopt this approach for all municipal customers under Rule G-10 given the way that investors today seek out and process information and disclosures related to their financial professional. While many investors will seek out such information from a dealer's website, this could be implemented with an "opt-out" provision for those customers that wish to receive paper or electronic copies of disclosures.

The ASA commends this effort by the MSRB to modernize its rules in order to keep up with technology and reduce compliance burdens for dealers while maintaining sufficient disclosures for investors. We look forward to working with the MSRB on this initiative as it moves forward.

Sincerely,

Christopher A. Iacovella

Christopher A. Iacovella
Chief Executive Officer
American Securities Association



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June 28, 2021

Mr. Ronald Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I St NW Ste 1000
Washington DC 20005

Transmitted electronically

In regard to MSRB Notice 2021-08

Dear Mr. Smith,

The Bond Dealers of America (BDA) is pleased provide comments on MSRB Notice 2021-08, "Request for Comment on Amendments to Rule G-10 Notification Requirements for Dealers" (The "Notice"). BDA is the only DC-based organization exclusively representing the interests of securities dealers and banks active in the US fixed income markets. Our members serve as both underwriters and Municipal Advisers ("MAs") on municipal securities transactions.

BDA generally welcomes and supports the changes proposed in the Notice. We raised issues about the application of MSRB Rule G-10 (the "Rule") in our January letter to the Board on MSRB Notice 2020-19, "MSRB Requests Input on Strategic Goals and Priorities." In our letter we stated that the Rule "results in superfluous disclosures to customers who do not own or trade municipal securities." We also asked the Board to amend the Rule to "specify that it applies to customers who own municipal securities or who have traded municipal securities since the dealer's last annual disclosure." In the Notice the MSRB proposes to eliminate the G-10 disclosure requirement for retail customers who have not owned or traded municipal securities within the most recent 12-month period and would exempt Sophisticated Municipal Market Professionals ("SMMPs") from the Rule altogether if the dealer makes the relevant information available on its Web site.

BDA fully supports the Board's proposal. The Rule as currently written requires disclosures specific to the MSRB and the municipal market to customers who have never and may never own or trade a municipal security. It has resulted in unnecessary and costly disclosures to customers who do not need the information. The Board's proposed changes would make the dealer disclosure process more efficient without threatening any investor protections. We urge the Board to move forward.

As the MSRB continues its review of Rule G-10, we recommend additional amendments to the Rule which would also lower the cost of transmitting disclosures for broker-dealers while ensuring that retail customers have the information they need. We urge consideration of the following three specific changes:

Exempt issuers from annual customer disclosures. The Rule specifies that dealers must provide the relevant disclosures "to each customer." MSRB Rule D-9 defines customer as "any person other than a broker, dealer, or municipal securities dealer acting in its capacity as such or an issuer in transactions

involving the sale by the issuer of a new issue of its securities.” We do not believe the broad definition of customer, which includes issuers, makes sense in the context of G-10. The types of disclosures that must be made under the Rule—information about the firm’s registration status and a reference to a MSRB investor protection brochure—generally do not apply to issuers. Like SMMPs, issuers are financial professionals who understand the municipal market well enough to know about the MSRB as a resource and do not require additional annual reminders. Eliminating the requirement for dealers to make G-10 disclosures to issuers would further enhance the efficiency of the Rule without threatening any regulatory protections.

The same reasoning applies to issuers that are MA clients. The Rule specifies that MAs must make G-10 disclosures to clients with whom they have a MA relationship “no less than once each calendar year...during the course of that municipal advisory relationship.” For many dealer MAs, making these disclosures is a cumbersome, manual process, and MAs already provide information required to be disclosed under Rule G-10 in MA engagement letters directed at issuer clients. Issuers, as municipal financial professionals, do not need annual reminders of the role of the MSRB. We ask that the Board eliminate the requirement for MAs to make annual disclosures to their advisory clients.

Permit clearing firms to make G-10 customer disclosures on behalf of the dealer with the customer relationship. Many broker-dealers employ the services of clearing firms as opposed to clearing all trades themselves. Clearing firms are broker-dealers with a specialty business of serving as other dealers’ “back office” by clearing and settling trades for other dealers, serving as custodian for customer securities and cash, and providing other services such as generating and transmitting customer account statements. In some cases it may be more efficient for the clearing firm to transmit the appropriate G-10 disclosures to customers rather than the firm with the customer relationship, or the “introducing dealer.” Rule G-10 should explicitly permit this.

FINRA Rule 2666, “Investor Education and Protection,” is a customer disclosure rule analogous in some ways to Rule G-10, although it focuses on disclosures related to the Securities Investors Protection Corporation, not the MSRB. Rule 2666 states explicitly “In cases where both an introducing firm and clearing firm service an account, the firms may assign these requirements to one of the firms.” We ask that the MSRB provide similar flexibility under Rule G-10.

Eliminate the disclosure requirement for customers who do not own municipal securities. The proposal in the Notice would require dealers to send G-10 disclosures once every calendar year to each customer (a) for which a purchase or sale of a municipal security was effected during that calendar year, or (b) who holds a municipal securities position during that calendar year. The second requirement mandates sending G-10 disclosures to any customer that held a municipal securities position at any time during the calendar year, even if such customer does not hold a municipal securities position at the time that the annual mailing list is generated or the disclosure is sent. There is no justification for sending municipal-specific disclosures to customers who do not own and have not traded municipal securities. We urge the MSRB to revise the Rule so that G-10 disclosures would be made to customers who have traded municipal securities in the last year or who own municipal securities at the time the disclosure transmission is prepared.

We applaud the MSRB for the changes proposed in the Notice. The proposed amendments to Rule G-10 would lower costs for dealers without sacrificing investor protection or transparency. In keeping with the same theme, we urge the Board to consider additional changes to the Rule to exempt issuers from these disclosures, permit clearing firms to transmit the relevant disclosures on behalf of their introducing firms' customers, and require disclosures for customers who own municipal securities or have traded them since the last annual disclosure. Please call or write if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Decker". The signature is fluid and cursive, with the first name "Michael" and last name "Decker" clearly distinguishable.

Michael Decker
Senior Vice President



June 28, 2021

VIA ELECTRONIC SUBMISSION

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

Re: MSRB Notice 2021-08 – Amendments to Rule G-10 Notification Requirement for Dealers

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”) Notice 2021-08 (the “Notice”),² which proposes an amendment to MSRB Rule G-10, on investor and municipal advisory client education and protection, to clarify the requirements for brokers, dealers, and municipal securities dealers (“dealers”) to provide the annual notifications to those customers who would be best served by receipt of the annual notifications. SIFMA appreciates the MSRB reviewing Rule G-10 and proposing these amendments which SIFMA generally supports as a way to reduce the compliance burden on the dealer community without reducing investor protections. SIFMA members do have some suggested clarifications and further changes, as set forth below.

I. Scope of Customers To Be Notified

SIFMA members feel the most critical issue is to modify the scope of customers that are required to receive the annual notifications pursuant to Rule G-10. SIFMA proposes that the added language “to each customer for which a purchase or sale of a municipal security was effected and to each customer who holds a municipal securities position during that calendar

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).

² MSRB Notice 2021-08 (May 14, 2021).

year” be narrowed to “to each customer that held municipal securities in an account with the broker as of a date within a reasonable period of time prior to the date the notices are made.” Dealers can readily reference their stock records at any point in time to identify those customers for whom municipal securities are being held, but it is much more burdensome to “look back” at the prior 12 months—or, as currently required, current calendar year—of transactional records and daily stock record positions, to identify customers who either transacted through, or otherwise held with, a dealer municipal security positions during that time period but for whom their positions are no longer held with that same dealer. To the extent such positions were transferred to another dealer in that same calendar year, the application of the rule would require the dealer currently holding the position to provide the notice. Admittedly, by reducing the scope of the required notifications to being based on positions held at the time of the notification, the mailing would not include any customers whose entire holdings were called or matured prior to the stock record review date. These conditions, however, would seem to impact only a small number of customers and, as discussed below, many of those customers may still be able to locate the notifications on the websites of those prior custodial or executing dealers that choose to provide the notifications on the internet, further reducing the total number of customers potentially impacted.

II. Relevant Time Period

SIFMA members suggest that the language “once every calendar year” be restated as “at least annually” or alternatively “at least once each year.” The current language leads some firms to believe the customer notification needs to occur at the end of the calendar year in December. These firms have stated that since the G-10 disclosure is required to be sent to any customer for whom a municipal security was held by the dealer during the calendar year, if the “annual disclosure” is sent out in September but certain customers did not have positions carried by the dealer until November, the rule could be interpreted to read that those customers would not have received the annual disclosure in that calendar year.³ Therefore, SIFMA members would appreciate clarification that they may send the customer notices at any time during the year. Some SIFMA members send other annual notices to customers at different times during the calendar year due to other regulatory requirements, including those set by FINRA and the SEC. Sending all possible notices to customers at once reduces the burdens on the dealer and the environmental impact of printing and mailing such customer notifications. In addition, the requested clarification, coupled with the change we propose above with respect to the scope of customers to be notified, would allow dealers to more readily identify the customers to whom the annual notice would need to be sent.

³ See MSRB Notice 2020-17 (Nov. 20, 2020) fn 6: “In instances where a dealer provides notice to customers at a point in time earlier than the end of the calendar year, e.g., during March, the dealer needs to ensure that any new customers receive the required notifications by the end of the calendar year. See “FAQs on MSRB Rules on Investor and Municipal Advisory Client Education and Protection,” (“FAQs”) Question #3 (September 2017).”

III. Issuer Notifications

SIFMA members feel strongly that Rule G-10 should not require dealers to provide notification to clients at the earliest stage of the underwriter's relationship with the issuer client when an issuer client has not otherwise engaged a municipal advisor. Any such disclosures due by the dealers to the issuer client are detailed in the bond purchase agreement or in Rule G-17. Adding additional disclosures in Rule G-10 will add to the complexity of dealer compliance without added benefit. If the MSRB feels that additional disclosures should be made to municipal securities issuers, those regulatory requirements should be added to the disclosures due to issuers under Rule G-17.

IV. Notification by Municipal Advisors

SIFMA members believe that current Rule G-10(b), amended Rule G-10(d), should not require annual disclosure by municipal advisors to their municipal advisory clients. Such disclosure is already required to be made promptly after the establishment of a municipal advisory relationship and is included in municipal advisor agreements. This is both a manual and unnecessary process to determine which relationships are subject to the annual disclosure whereas website disclosure of the related information should be sufficient. There is no other municipal advisor disclosure that is required to be made on an annual basis and if any changes in disclosure by municipal advisors are thought necessary, then those changes should be made in Rule G-42. Rule G-42 details the disclosures required by non-solicitor advisors. Again, in this instance SIFMA members feel the information required to be disclosed by Rule G-10 can adequately be communicated by municipal advisors to their municipal advisory clients through website disclosure.

V. SMMPs

SIFMA appreciates the MSRB's amendments to proposed Rule G-48(f). Requiring dealers to send customer notifications pursuant to Rule G-10 to sophisticated municipal market participants ("SMMPs") is costly for dealers, without any related benefits. SMMPs are by definition sophisticated investors that should not require "hand-holding" in order to find the investor brochure on the dealer's website, or elsewhere, or to otherwise require guidance as to how to file a complaint with the appropriate regulatory authority. It has been the experience of dealers that SMMPs do not need or want such basic customer disclosures, and many object to the unnecessary mailings as merely a waste of resources, especially as many SMMPs deal with multiple dealers and are therefore receiving similar and duplicative notifications from each dealer with which they deal. Placement of the customer notifications on dealers' websites provides adequate notice to SMMPs that have engaged in a municipal securities transaction or that maintain a municipal securities position.

VI. 529 Plan Investors

SIFMA also feels that the MSRB should provide an exception to the annual customer notifications requirement to exclude investors in 529 savings plans from receipt of such ongoing annual notifications after their initial purchase of units in a 529 savings plan. Such notifications are redundant and unnecessary. Website disclosure of such information should be sufficient for investor protection without imposing unnecessary burdens on the dealers.

VII. Certain Other Exclusions

SIFMA members appreciate the inclusion of new Rule G-10(b). However, we propose to clarify this exception as follows, “Notwithstanding the requirement in paragraph (a) of this Rule, any dealer that does not have customers or ~~is a party to a carrying agreement where the carrying firm member complies~~ that has agreed with a clearing firm servicing its customer accounts that the clearing firm will comply with paragraph (a) of this Rule is exempt from the requirements of this Rule.” We feel this new language clarifies that the exclusion should only apply if a clearing firm has agreed to comply with Rule G-10(a).

VIII. Cost Savings and Impact

Although the potential cost savings from the proposed amendments are difficult to quantify, it is likely dependent upon the size of the dealer. Members agree that the savings is likely more significant for larger firms, although the change would reduce the compliance costs for all dealers. Any physical notifications that can be avoided, without impacting customer protection, reduces costs as well as the environmental impact of printing and mailing each customer notification. The COVID-19 pandemic also added an additional risk for dealer staff that need to produce and mail these physical customer notifications. Likewise, the recent societal changes mean that many customers may not be receiving mail at their offices and may be less willing to touch any mail they do receive.

SIFMA members state that their estimated percentage of customers that effect a municipal securities transaction that have not previously effected a transaction in municipal securities is anecdotally reported to be less than 1%. Similarly, each year the percentage of complaints that are made by a customer that did not own municipal securities or did not effect a trade in the prior year at the time of a complaint was anecdotally reported to be zero.

* * *

Thank you for considering SIFMA's comments. Overall, SIFMA appreciates the MSRB's proposed amendments, and the opportunity to set forth our additional suggestions and clarifications above. If a fuller discussion of our comments would be helpful, I can be reached at (212) 313-1130 or lnorwood@sifma.org.

Sincerely,

A handwritten signature in black ink, appearing to be 'L. Norwood', written over a faint, light-colored signature line.

Leslie M. Norwood
Managing Director
and Associate General Counsel

cc: ***Municipal Securities Rulemaking Board***

Bri Joiner, Director, Regulatory Compliance

Lisa Wilhelmy, Assistant Director, Market Regulation

Comment on Notice 2021-08

from Jennifer Szaro,

on Monday, May 17, 2021

Comment:

I am thankful for this opportunity to comment on the proposed changes to Rule G-10. For perspective, we are a retail, small firm broker-dealer with an annual average of less than 100 municipal bond transactions and offer 529 plans. When we needed to provide this annual notification it was a significant expenditure and caused a complete change in our annual and disclosure deliveries. Annually we provide our privacy statement to all clients. However to incorporate the G-10 paragraph changed the entire mailing structure. We needed to revise our system and changed how we delivered disclosures. Our contact management system is not set up to identify muni only clients - most clients utilize multiple lines of business. For the amount of work and expense that it took to provide clients with a few sentences, there was a disproportional benefit to clients. We also post this message on our website along with other disclosures, which are all important. I wholehearted am in favor of revising this rule in particular to include "(f) Required Annual Notifications -regarding posting on the BD website. Investors are used to going to a company's website for details and accessing their materials. The greater the consistency with how we, as an industry, provide investors with reference materials and disclosures perhaps the more effective the delivery. My impression is that investors want to review materials at their pace, on their time, when it suits them. For broker-dealers who have a website, this is a very reasonable and sensible option.