

Required fields are shown with yellow backgrounds and asterisks.

Page 1 of * <input type="text" value="33"/>	SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 Form 19b-4	File No.* SR - <input type="text" value="2017"/> - * <input type="text" value="07"/>
		Amendment No. (req. for Amendments *) <input type="text"/>

Filing by Municipal Securities Rulemaking Board
Pursuant to Rule 19b-4 under the Securities Exchange Act of 1934

Initial * <input checked="" type="checkbox"/>	Amendment * <input type="checkbox"/>	Withdrawal <input type="checkbox"/>	Section 19(b)(2) * <input type="checkbox"/>	Section 19(b)(3)(A) * <input checked="" type="checkbox"/>	Section 19(b)(3)(B) * <input type="checkbox"/>
			Rule		
Pilot <input type="checkbox"/>	Extension of Time Period for Commission Action * <input type="checkbox"/>	Date Expires * <input type="text"/>	<input type="checkbox"/> 19b-4(f)(1)	<input type="checkbox"/> 19b-4(f)(4)	
			<input checked="" type="checkbox"/> 19b-4(f)(2)	<input type="checkbox"/> 19b-4(f)(5)	
			<input type="checkbox"/> 19b-4(f)(3)	<input type="checkbox"/> 19b-4(f)(6)	

Notice of proposed change pursuant to the Payment, Clearing, and Settlement Act of 2010	Security-Based Swap Submission pursuant to the Securities Exchange Act of 1934
Section 806(e)(1) * <input type="checkbox"/>	Section 806(e)(2) * <input type="checkbox"/>
Section 3C(b)(2) * <input type="checkbox"/>	

Exhibit 2 Sent As Paper Document <input checked="" type="checkbox"/>	Exhibit 3 Sent As Paper Document <input checked="" type="checkbox"/>
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Description

Provide a brief description of the action (limit 250 characters, required when Initial is checked *).

Proposed Rule Change to MSRB Rule A-11, on Assessments for Municipal Advisor Professionals, to Amend the Annual Municipal Advisor Professional Fee

Contact Information

Provide the name, telephone number, and e-mail address of the person on the staff of the self-regulatory organization prepared to respond to questions and comments on the action.

First Name * <input type="text" value="Saliha"/>	Last Name * <input type="text" value="Olgun"/>
Title * <input type="text" value="Assistant General Counsel"/>	
E-mail * <input type="text" value="solgun@msrb.org"/>	
Telephone * <input type="text" value="(202) 838-1500"/>	Fax <input type="text"/>

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934,
Municipal Securities Rulemaking Board
has duly caused this filing to be signed on its behalf by the undersigned thereunto duly authorized.

(Title *)

Date <input type="text" value="09/29/2017"/>	Corporate Secretary <input type="text"/>
By <input type="text" value="Ronald W. Smith"/>	<input type="text"/>
(Name *)	

NOTE: Clicking the button at right will digitally sign and lock this form. A digital signature is as legally binding as a physical signature, and once signed, this form cannot be changed.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

For complete Form 19b-4 instructions please refer to the EFFF website.

Form 19b-4 Information *

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The self-regulatory organization must provide all required information, presented in a clear and comprehensible manner, to enable the public to provide meaningful comment on the proposal and for the Commission to determine whether the proposal is consistent with the Act and applicable rules and regulations under the Act.

Exhibit 1 - Notice of Proposed Rule Change *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 1A- Notice of Proposed Rule Change, Security-Based Swap Submission, or Advance Notice by Clearing Agencies *

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The Notice section of this Form 19b-4 must comply with the guidelines for publication in the Federal Register as well as any requirements for electronic filing as published by the Commission (if applicable). The Office of the Federal Register (OFR) offers guidance on Federal Register publication requirements in the Federal Register Document Drafting Handbook, October 1998 Revision. For example, all references to the federal securities laws must include the corresponding cite to the United States Code in a footnote. All references to SEC rules must include the corresponding cite to the Code of Federal Regulations in a footnote. All references to Securities Exchange Act Releases must include the release number, release date, Federal Register cite, Federal Register date, and corresponding file number (e.g., SR-[SRO]-xx-xx). A material failure to comply with these guidelines will result in the proposed rule change, security-based swap submission, or advance notice being deemed not properly filed. See also Rule 0-3 under the Act (17 CFR 240.0-3)

Exhibit 2 - Notices, Written Comments, Transcripts, Other Communications

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Exhibit Sent As Paper Document

Copies of notices, written comments, transcripts, other communications. If such documents cannot be filed electronically in accordance with Instruction F, they shall be filed in accordance with Instruction G.

Exhibit 3 - Form, Report, or Questionnaire

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Exhibit Sent As Paper Document

Copies of any form, report, or questionnaire that the self-regulatory organization proposes to use to help implement or operate the proposed rule change, or that is referred to by the proposed rule change.

Exhibit 4 - Marked Copies

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The full text shall be marked, in any convenient manner, to indicate additions to and deletions from the immediately preceding filing. The purpose of Exhibit 4 is to permit the staff to identify immediately the changes made from the text of the rule with which it has been working.

Exhibit 5 - Proposed Rule Text

Add Remove View

The self-regulatory organization may choose to attach as Exhibit 5 proposed changes to rule text in place of providing it in Item I and which may otherwise be more easily readable if provided separately from Form 19b-4. Exhibit 5 shall be considered part of the proposed rule change.

Partial Amendment

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If the self-regulatory organization is amending only part of the text of a lengthy proposed rule change, it may, with the Commission's permission, file only those portions of the text of the proposed rule change in which changes are being made if the filing (i.e. partial amendment) is clearly understandable on its face. Such partial amendment shall be clearly identified and marked to show deletions and additions.

1. Text of the Proposed Rule Change

Pursuant to the provisions of Section 19(b)(1) of the Securities Exchange Act of 1934, as amended (the “Act” or “Exchange Act”),¹ and Rule 19b-4 thereunder,² the Municipal Securities Rulemaking Board (the “MSRB” or “Board”) is hereby filing with the Securities and Exchange Commission (the “Commission” or “SEC”) a proposed rule change to amend MSRB Rule A-11, on assessments for municipal advisor professionals, to increase the annual municipal advisor professional fee from \$300 to \$500 and make other technical changes (the “proposed rule change”). The MSRB has designated the proposed rule change for immediate effectiveness. The MSRB will send the first invoice at the new fee level to firms in April 2018 for payment by April 30, 2018.

(a) The text of the proposed rule change is attached as Exhibit 5. Text proposed to be added is underlined, and text proposed to be deleted is enclosed in brackets.

(b) Not applicable.

(c) Not applicable.

2. Procedures of the Self-Regulatory Organization

The proposed rule change was approved by the Board at its April 26-27, 2017 meeting. Questions concerning this filing may be directed to Saliha Olgun, Assistant General Counsel, at (202) 838-1500.

3. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

(a) Purpose

The purpose of the proposed rule change is to increase the existing annual municipal advisor professional fee assessment to help defray the costs and expenses of operating and administering the MSRB, particularly the MSRB’s regulatory and related activities in connection with municipal advisors. In the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”),³ Congress charged the Commission and the MSRB with the regulation of municipal advisors and specifically granted the MSRB authority to charge municipal advisors reasonable fees to defray the costs of the operation of the MSRB.⁴ In its

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ Pub. Law No. 111-203, 124 Stat. 1376 (2010).

⁴ See 15 U.S.C. 78o-4(b)(2)(J).

exercise of authority granted by Congress, the MSRB has since developed a comprehensive regulatory framework for municipal advisors.⁵ To help defray the costs of this and related activities, in 2014, the MSRB adopted Rule A-11, on assessments for municipal advisor professionals.

Pursuant to Rule A-11, each municipal advisor firm that is registered with the Commission is required to pay to the Board a recurring annual fee equal to \$300 for each Form MA-I filed with the Commission by such municipal advisor as of January 31 of each year. Rule A-11 also provides for late fees on assessments that are not paid in full, and includes a transitional provision that, at the time of Rule A-11's adoption, was necessary to take into account the timing of the phased-in compliance period for the SEC's permanent municipal advisor registration process.

The proposed rule change would amend Rule A-11(a) to provide that each municipal advisor that is registered with the Commission shall pay to the Board a recurring annual fee, equal to \$500 for each person associated with the municipal advisor who is qualified as a municipal advisor representative in accordance with Rule G-3 and for whom the municipal advisor has on file with the Commission a Form MA-I as of January 31 of each year ("covered persons").⁶ Amended Rule A-11(a) would increase the amount of the current assessment from

⁵ In furtherance of this framework, the MSRB developed a professional qualification exam, adopted new rules for municipal advisors and extended existing rules to municipal advisors that previously applied only to brokers, dealers and municipal securities dealers (collectively, "dealers.") These include, but are not limited to: Rule G-44 regarding the supervisory and compliance obligations of municipal advisors, see Release No. 34-73415 (October 23, 2014), 79 FR 64423 (October 29, 2014) (File No. SR-MSRB-2014-06) (SEC order approving Rule G-44); Rule G-42 regarding the duties of non-solicitor municipal advisors, see Release No. 34-76753 (December 23, 2015), 80 FR 81614 (December 30, 2015) (File No. SR-MSRB-2015-03) (SEC order approving Rule G-42); amendments to Rule G-20, on gifts, gratuities and non-cash compensation, to extend provisions of the rule to municipal advisors, see Release No. 34-76381 (November 6, 2015), 80 FR 70271 (November 13, 2015) (File No. SR-MSRB-2015-09) (SEC order approving amendments to Rule G-20); amendments to Rule G-37, on political contributions and prohibitions on municipal securities business, to extend its provisions to municipal advisors, see Release No. 34-76763 (December 23, 2015), 80 FR 81710 (December 30, 2015) (File No. SR-MSRB-2015-14) (Notice of filing of proposed amendments to Rule G-37); and amendments to Rule G-3 to establish registration and professional qualification requirements for municipal advisors, see Release No. 34-74384 (February 26, 2015), 80 FR 11706 (March 4, 2015) (File No. SR-MSRB-2014-08) (SEC order approving registration and professional qualification requirements for municipal advisor representatives and municipal advisor principals).

⁶ While the MSRB has designated the proposed rule change for immediate effectiveness, by its terms, the assessment at the \$500 per covered person rate would be based on

\$300 to \$500 and delete a now-outdated reference to the fiscal year for which the annual municipal advisor professional fee first became due. In addition, a minor amendment to section (a) would help streamline the rule by deleting the unnecessary clause “and shall be payable” from the final sentence in that section. Lastly, amendments to Rule A-11(a) would provide that the assessment payable would be determined based on the number of Form MA-Is on file with the Commission (as it is currently determined) and based on the number of associated persons qualified as a municipal advisor representative in accordance with Rule G-3. A person is qualified as a municipal advisor representative in accordance with Rule G-3(d) when such person has taken and passed the Municipal Advisor Representative Qualification Examination (the “Series 50 exam”).⁷

An amendment to Rule A-11(b) would provide that a municipal advisor that fails to timely pay in full “the total” annual municipal advisor professional fee due under section (a) shall pay a monthly late fee equal to \$25 for such failure, while another amendment would delete the reference to the monthly fee being payable “for each \$300 assessment not paid in full.” Together, these amendments to section (b) are intended to make clear that a separate \$25 monthly late fee would not be due for each covered person for which the \$300 fee was not timely paid. Rather, a municipal advisor firm would be required to pay only one \$25 monthly late fee (regardless of the number of its covered persons for which the per professional fee was not timely paid) if it fails timely to pay in full the total fee due under section (a).⁸ Finally, the proposed rule change would delete Rule A-11(c) because that provision pertains to a transitional municipal advisor professional fee that no longer has application. A related minor technical amendment to Rule A-11(b) would delete a reference to Rule A-11(c).

The MSRB believes that the proposed fee increase reflected in the proposed amendments to Rule A-11(a) is reasonable as well as necessary and appropriate to help defray the costs of operating and administering the MSRB. It is also a step towards achieving the MSRB’s strategic goal of promoting long-term financial stability by assessing fair and equitable fees, and

covered persons as of January 31 of each year. As noted above, the MSRB will send the first invoice at the new fee level (measured as of January 31, 2018) to firms in April 2018 for payment by April 30, 2018.

⁷ As of September 12, 2017, only an associated person of a municipal advisor firm who has passed the Series 50 exam may engage in municipal advisory activities on behalf of the municipal advisor firm. Additionally, municipal advisor principals must likewise qualify as a municipal advisor representative by passing the Series 50 exam. See MSRB Notice 2017-09, MSRB Reminds Municipal Advisors that the Series 50 Exam Deadline is September 12, 2017 (May 8, 2017). Because all municipal advisor principals must also qualify as a municipal advisor representative, the \$500 assessment would equally apply to municipal advisor principals.

⁸ This late fee would be in addition to a late fee on the total overdue balance based on the Prime Rate.

diversifying funding sources. The MSRB believes the proposed rule change will help the organization provide for assessments that are increasingly more fairly and equitably apportioned among all registrants. The MSRB notes that, consistent with the Board's long-standing prohibition on charging or otherwise passing through to issuers the fees required under Rule A-13,⁹ municipal advisors similarly would be prohibited from charging or otherwise passing through the fees required under Rule A-11 to issuers.

The Board's Holistic Review of MSRB Fees

The MSRB assesses dealers and municipal advisors (collectively, "regulated entities") various fees designed to defray the costs of its operations and administration, including rulemaking, market transparency, and educational and market outreach initiatives that fulfill its Congressional mandate to, among other things, protect investors, state and local governments and other municipal entities, obligated persons and the public interest and promote a fair and efficient municipal securities market.¹⁰ Section 15B(b)(2)(J) of the Act¹¹ provides, in pertinent part, that each regulated entity shall pay to the Board such reasonable fees and charges as may be necessary or appropriate to defray the costs of operating and administering the Board, and that the MSRB shall have rules specifying the amount of such fees. The current fees so specified by MSRB rules are:

1. Municipal advisor professional fee (Rule A-11)
\$300 annually per Form MA-I on file with the SEC by the municipal advisor;
2. Late fee (Rules A-11 and A-12)
\$25 monthly late fee and a late fee on the overdue balance (computed according to the prime rate) until paid on balances not paid within 30 days of the invoice date by the dealer or municipal advisor;
3. Initial registration fee (Rule A-12)

⁹ See Release No. 34-81264 (July 31, 2017), 82 FR 36472, n. 18 (August 4, 2017) (File No. SR-MSRB-2017-05) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Assess an Underwriting Fee on Dealers That Are Underwriters of Primary Offerings of Plans).

¹⁰ See Section 15B(b)(2) of the Act (15 U.S.C. 78o-4(b)(2)) (in relevant part, requiring the Board to propose and adopt rules for municipal advisors with respect to municipal financial products, the issuance of municipal securities and solicitations of municipal entities or obligated persons undertaken by brokers, dealers, municipal securities dealers, and municipal advisors).

¹¹ 15 U.S.C. 78o-4(b)(2)(J).

\$1,000 one-time registration fee to be paid by each dealer to register with the MSRB before engaging in municipal securities activities and by each municipal advisor to register with the MSRB before engaging in municipal advisory activities;

4. Annual registration fee (Rule A-12)
\$1,000 annual fee to be paid by each dealer and municipal advisor registered with the MSRB;
5. Underwriting fee (Rule A-13)
\$.0275 per \$1,000 of the par value paid by a dealer, on all municipal securities purchased from an issuer by or through such dealer, whether acting as principal or agent as part of a primary offering, except in limited circumstances; and in the case of an underwriter (as defined in Rule G-45) of a primary offering of certain municipal fund securities, \$.005 per \$1,000 of the total aggregate assets for the reporting period;¹²
6. Transaction fee (Rule A-13)
.001% (\$.01 per \$1,000) of the total par value to be paid by a dealer, except in limited circumstances, for inter-dealer sales and customer sales reported to the MSRB pursuant to Rule G-14(b), on transaction reporting requirements;
7. Technology fee (Rule A-13)
\$1.00 paid by a dealer per transaction for each inter-dealer sale and for each sale to customers reported to the MSRB pursuant to Rule G-14(b); and
8. Professional qualification examination fee (Rule A-16)
\$150 test development fee assessed per candidate for each MSRB professional qualification examination.¹³

Initiated in 2015, the Board's holistic review of fees that the Board assesses on regulated entities continues. The Board evaluates those fees with the goal of better aligning revenue sources with operating expenses and all capital needs. The Board strives to diversify funding sources among regulated entities and other entities that fund MSRB activities in a manner that ensures long-term sustainability, while continuing to strike an equitable balance among regulated entities and a fair allocation of the expenses of the regulatory activities, systems development

¹² Beginning in May 2018, the Board will invoice underwriters of a primary offering of certain municipal fund securities for the assessments due. See Release No. 34-81264 (July 31, 2017), 82 FR 36472 (August 4, 2017) (File No. SR-MSRB-2017-05) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Assess an Underwriting Fee on Dealers That Are Underwriters of Primary Offerings of Plans).

¹³ In addition, the MSRB charges data subscription and service fees for subscribers, including regulated entities, seeking direct electronic delivery of municipal trade data and disclosure documents associated with municipal bond issues. However, this information is available without direct electronic delivery on the EMMA website without charge.

and operational activities undertaken by the MSRB. In determining the fair allocation of the cost of MSRB regulation to regulated entities, the Board considers, among other things: registration to engage in municipal securities or municipal advisory activities; the level of dealer market activity; and the number of associated persons engaged in municipal advisory activities on behalf of a municipal advisor. Recognizing that in any given year there could be more or less activity by a particular class of regulated entities, the Board, as it has historically, seeks to maintain a fee structure that results in a balanced and reasonable contribution over time from all regulated entities to defray costs and expenses of operating and administering the MSRB.

As part of the Board's ongoing review and examination of fees, the Board reviewed the amount of the \$300 per professional fee charged under Rule A-11. This fee was originally established in 2014 as a reasonable initial starting amount to help defray the costs and expenses of operating and administering the MSRB, particularly the MSRB's regulatory and related activities in connection with municipal advisors.¹⁴

These regulatory activities include the development and implementation of a comprehensive regulatory framework for municipal advisors, including: the extension to municipal advisors of rules that previously only applied to dealers on the subject of fair dealing and specified forms of conflicts of interest;¹⁵ the adoption of new rules for municipal advisors that establish the core standards of conduct for non-solicitor municipal advisors and that establish supervisory and compliance obligations for municipal advisor firms;¹⁶ the creation of new municipal advisor recordkeeping requirements and municipal advisory client education and protection provisions;¹⁷ and the development and implementation of professional standards for

¹⁴ See Release No. 34-72019 (April 25, 2014), 79 FR 24798, 24798 (May 1, 2014) (File No. SR-MSRB-2014-03) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Consisting of New Rule A-11, on Assessments for Municipal Advisor Professionals); see also MSRB Notice 2014-09, MSRB to Implement New MSRB Rule A-11 Establishing Fees for Municipal Advisor Professionals (April 17, 2014).

¹⁵ See Rule G-17, Conduct of Municipal Securities and Municipal Advisory Activities; Rule G-20, Gifts Gratuities, Non-Cash Compensation and Expenses of Issuance; and Rule G-37, Political Contributions and Prohibitions on Municipal Securities Business and Municipal Advisory Business available at <http://msrb.org/Rules-and-Interpretations/MSRB-Rules.aspx>.

¹⁶ See Rule G-42, Duties of Non-Solicitor Municipal Advisors; Rule G-44, Supervisory and Compliance Obligations of Municipal Advisors available at <http://msrb.org/Rules-and-Interpretations/MSRB-Rules.aspx>.

¹⁷ See Rule G-8, Books and Records to be Made by Brokers, Dealers, and Municipal Securities Dealers and Municipal Advisors; and Rule G-10, Investor and Municipal Advisory Client Education and Protection available at <http://msrb.org/Rules-and-Interpretations/MSRB-Rules.aspx>. Effective October 13, 2017, current Rule G-10, Delivery of Investor Brochure, will be replaced in its entirety by new Rule G-10.

municipal advisors to help ensure that all municipal advisors are competent and qualified.¹⁸ As part of the implementation of this latter category of rules, the MSRB also established the Series 50 exam, a baseline test of a municipal advisor's competency and knowledge of applicable rules.

To assist municipal advisors in understanding and complying with this new regulatory framework, the MSRB has undertaken considerable education, outreach and compliance activities. These include, but are not limited to: the creation of educational documents, resources and compliance-oriented notices and communications;¹⁹ the development of educational webinars and the organization of, and participation in, outreach events;²⁰ and the launch of an expanded on-demand education program, MuniEdPro®, which was designed, in part, to serve the education needs of regulated entities.

Looking forward to Fiscal Year 2018, the MSRB expects to continue its many activities relating to municipal advisors, including its significant education, outreach and compliance initiatives. The MSRB will also be developing a new municipal advisor principal-level professional qualification examination—the Series 54—for anticipated availability as a pilot in 2019.²¹

¹⁸ See Rule G-2, Standards of Professional Qualification; and Rule G-3, Professional Qualification Requirements available at <http://msrb.org/Rules-and-Interpretations/MSRB-Rules.aspx>.

¹⁹ For example, the MSRB supports regulatory compliance by municipal advisors by providing resources about MSRB requirements, as well as more general educational material. Municipal advisors may access these resources and others, including the Municipal Advisor Review, the MSRB's quarterly newsletter for municipal advisors at <http://www.msrb.org/Regulated-Entities/Resources.aspx>. In addition, the MSRB has published several regulatory notices for municipal advisors to help keep market participants informed of regulatory changes and to provide guidance on the application of existing rules. See e.g., MSRB Notice 2017-08, Application of MSRB Rules to Solicitor Municipal Advisors (May 4, 2017); MSRB Notice 2017-13, MSRB Provides Guidance on Duties of Non-Solicitor Municipal Advisors in Conduit Financing Scenarios (July 13, 2017).

²⁰ For example, the MSRB provides free education and training webinars on municipal market topics, regulatory and compliance issues, and the use of MSRB market transparency systems. Municipal advisors may register for new webinars and access on-demand webinars, including some webinars that provide CPE credit at <http://www.msrb.org/Regulated-Entities/Webinars.aspx>.

²¹ Once the Series 54 exam is permanently available, municipal advisor principals will be required to take the Series 54 exam in addition to the Series 50 exam. See FAQs on Municipal Advisor Professional Qualification and Examination Requirements, at n. 1 available at <http://www.msrb.org/msrb1/pdfs/FAQ-MSRB-Series-50-Exam.pdf>.

In an August 2015 fee filing associated with the Board's holistic review of fees,²² the MSRB explained that, at that time, it was not modifying the \$300 municipal advisor per professional fee to provide municipal advisors with additional time for the municipal advisor regulations and business models to more fully develop. However, the MSRB explained that the targeted revenue to be generated from the municipal advisor professional fee of approximately \$2 million at that time, or approximately 5% of total MSRB revenues, was not yet being met and the per professional fee would need to be increased in the future. The proposed rule change is the next step towards moving closer to that revenue target.²³

(b) Statutory Basis

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(J) of the Act²⁴ which states that the MSRB's rules shall:

provide that each municipal securities broker, municipal securities dealer, and municipal advisor shall pay to the Board such reasonable fees and charges as may be necessary or appropriate to defray the costs and expenses of operating and administering the Board. Such rules shall specify the amount of such fees and charges, which may include charges for failure to submit to the Board, or to any information system operated by the Board, within the prescribed timeframes, any items of information or documents required to be submitted under any rule issued by the Board.

The MSRB believes that its rules, as amended by the proposed rule change, provide for reasonable dues, fees, and other charges among regulated entities. The MSRB believes that the proposed rule change is necessary and appropriate to fund the operation and administration of the Board and satisfies the requirements of Section 15B(b)(2)(J).²⁵ The MSRB believes the proposed rule change is necessary because it will help defray the costs of the Board's significant

²² See Release No. 34-75751 (August 24, 2015), 80 FR 52352, 52355 (August 28, 2015) (File No. SR-MSRB-2015-08) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Consisting of Amendments to MSRB Rule A-12, on Registration, and MSRB Rule A-13, on Underwriting and Transaction Assessments for Brokers, Dealers and Municipal Securities Dealers).

²³ The MSRB expects that the municipal advisor professional fee, at the dollar amount set forth in the proposed rule change, would generate approximately 4% of the MSRB's Fiscal Year 2018 revenue. The MSRB will release and make publicly available its budget for Fiscal Year 2018 in October 2017. See MSRB Monthly Update (September 2017) available at <https://content.govdelivery.com/accounts/VAORGMSRB/bulletins/1b497b6>.

²⁴ 15 U.S.C. 78o-4(b)(2)(J).

²⁵ Id.

rulemaking, market transparency, educational and market outreach initiatives, market leadership, professional qualifications examination development and other activities relating to municipal advisors. As discussed above, the MSRB has engaged in significant rulemaking to put into place a regulatory framework for municipal advisors and has engaged in considerable activities to assist municipal advisors in understanding their obligations and comply with the applicable rules. In addition, because the MSRB does not have any examination or enforcement authority, the MSRB has enhanced its coordination with the regulatory authorities charged with the authority to examine for compliance with and enforce MSRB rules. The MSRB frequently provides rule interpretations, training related to the market and MSRB rules, and access to municipal market information in support of the municipal advisor examination and enforcement activities of these regulatory authorities. The MSRB expects to continue its many activities relating to municipal advisors, with a focus on education, outreach and compliance. In addition, as noted above, the MSRB will be working to develop the Series 54 professional qualification exam. The proposed rule change will assist in defraying some of the costs associated with these activities and will help ensure the MSRB is funding these regulatory activities in a financially responsible way.

The MSRB believes the proposed rule change is appropriate because it moves towards a more equitable balance of fees among regulated entities and hence a fairer allocation of the expenses of the regulatory activities, systems development, and operational activities undertaken by the MSRB. However, even with the fee increase in the proposed rule change, the proposed fees would only defray a small portion of the MSRB's overall costs of operating and administering the MSRB – generating approximately 4% of Fiscal Year 2018 revenue.²⁶

MSRB operations are funded primarily by assessments and fees on regulated entities. In fact, 80% of the Fiscal Year 2018 budgeted revenue is based on market activity (that is, municipal securities trading and underwriting volume). Due to the accumulated historical variances between actual and budgeted revenue, the MSRB has excess reserves. This is largely due to the MSRB's appropriately conservative approach to budgeting revenues that are primarily market-based and inherently volatile. While the MSRB's current reserve levels exceed targets, the MSRB budget for Fiscal Year 2018 has a deficit, as do the pro forma budgets for Fiscal Years 2019 through 2020. The MSRB anticipates that in the future, based on assumptions reviewed and agreed upon by the MSRB, excess reserves will be eroded by Fiscal Year 2020 (even with the increased municipal advisor professional fee and new underwriting fee on underwriters of 529 college savings plans). Further, the MSRB's budget for Fiscal Year 2018 anticipates that the MSRB will strategically spend some of its reserves. Finally, the MSRB believes, as a matter of principle, that it is inherently unfair to allow certain regulated entities to pay a disproportionate share of the cost of operating the MSRB. The MSRB therefore regularly evaluates fees and adjusts them, as needed, to ensure that all regulated entities that benefit from functioning in a fair, efficient and transparent market pay their fair share.

²⁶ See n. 23 and accompanying text.

4. Self-Regulatory Organization’s Statement on Burden on Competition

Section 15B(b)(2)(C) of the Act²⁷ requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In addition, Section 15B(b)(2)(L)(iv) of the Act²⁸ provides that MSRB rules “not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons, provided that there is robust protection of investors against fraud.”

The Board’s policy on the use of economic analysis in rulemaking²⁹ limits its application regarding those rules for which the Board seeks immediate effectiveness. However, an internal analysis is still conducted to gauge the economic impact, with an emphasis on the burden on competition involving regulated entities. Guided by these aspects of the policy, the Board has reviewed the proposed rule change. The Board believes the proposed rule change is necessary and appropriate to ensure that MSRB registrants that are municipal advisors equitably contribute to defraying the costs and expenses of operating and administering the MSRB. The MSRB has considered the economic impact of the proposed rule change. The MSRB does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act since it will apply equally to all municipal advisors based on the number of persons qualified as municipal advisor representatives associated with the municipal advisor and the number of Forms MA-I filed by each firm.

The MSRB believes the current fee structure is fair and equitable among municipal advisors of differing size. The existing per firm annual fee (\$1,000) helps cover the fixed costs of regulating any firm, regardless of size; while the existing annual professional fee assessment

²⁷ 15 U.S.C. 78o-4(b)(2)(C).

²⁸ 15 U.S.C. 78o-4(b)(2)(L)(iv).

²⁹ The scope of the Board’s policy on the use of economic analysis in rulemaking provides that:

[t]his Policy addresses rulemaking activities of the MSRB that culminate, or are expected to culminate, in a filing of a proposed rule change with the SEC under Section 19(b) of the Exchange Act, other than a proposed rule change that the MSRB reasonably believes would qualify for immediate effectiveness under Section 19(b)(3)(A) of the Exchange Act if filed as such or as otherwise provided under the exception process of this Policy.

Policy on the Use of Economic Analysis in MSRB Rulemaking, available at <http://msrb.org/Rules-and-Interpretations/Economic-Analysis-Policy.aspx>. For those rule changes for which the MSRB seeks immediate effectiveness, the MSRB usually focuses its examination exclusively on the burden on competition of regulated entities.

results in smaller municipal advisors paying less than larger municipal advisors. The proposed fee increase will further expand the current spread paid between large versus small firms. The MSRB notes that other self-regulatory organizations and independent oversight and rulemaking boards, such as the Financial Industry Regulatory Authority (“FINRA”), the Public Company Accounting Oversight Board (“PCAOB”), National Futures Association (“NFA”) and the Financial Accounting Standards Board (“FASB”), all have some annual fee assessment structure that is based on the size of firms under regulation.³⁰

The MSRB believes that the fee increase will not impose an unnecessary or inappropriate regulatory burden on small municipal advisors. The total amount of the assessment payable by each municipal advisor will be dependent on the number qualified associated persons for whom Forms MA-I are filed by the municipal advisor³¹ and, therefore, will result in lower relative assessments for smaller firms. Being based on the number of persons engaging in municipal advisory activities on behalf of a firm, the total fee will bear a reasonable relationship to the level of regulated municipal advisory activities that are undertaken by each firm.

5. Self-Regulatory Organization’s Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Board did not solicit comment on the proposed rule change. Therefore, there are no comments on the proposed rule change received from members, participants or others.

6. Extension of Time Period for Commission Action

Not applicable.

7. Basis for Summary Effectiveness Pursuant to Section 19(b)(3) or for Accelerated Effectiveness Pursuant to Section 19(b)(2) or Section 19(b)(7)(D)

The proposed rule change will increase the amount of the annual municipal advisor professional fee. As such, the MSRB designates the proposed rule change as “establishing or

³⁰ For example, FINRA’s annual registration fee and new member application fee assessments for broker-dealers are based on the number of branch offices and the number of registered persons, the PCAOB’s annual fee assessment is based on the number of issuer audit clients and the number of personnel within each public accounting firm, NFA’s annual member dues for swap dealers and Forex dealers are based on the tier size of member firms, and FASB’s accounting support fees are allocated based on the average market capitalization of each issuer.

³¹ The MSRB understands that the Form MA-I on file should be withdrawn for any person who fails to qualify as a municipal advisor representative in accordance with Rule G-3. See Registration of Municipal Advisors Frequently Asked Questions at Question 16.1, available at <https://www.sec.gov/info/municipal/mun-advisors-faqs.shtml>.

changing a due, fee, or other charge” under Section 19(b)(3)(A)(ii) of the Act³² and Rule 19b-4(f)(2)³³ thereunder, which renders the proposed rule change effective upon filing with the Commission.

8. Proposed Rule Change Based on Rules of Another Self-Regulatory Organization or of the Commission

Not applicable.

9. Security-Based Swap Submissions Filed Pursuant to Section 3C of the Act

Not applicable.

10. Advance Notices Filed Pursuant to Section 806(e) of the Payment, Clearing and Settlement Supervision Act

Not applicable.

11. Exhibits

Exhibit 1 Completed Notice of Proposed Rule Change for Publication in the Federal Register

Exhibit 5 Text of Proposed Rule Change

³² 15 U.S.C. 78s(b)(3)(A)(ii).

³³ 17 CFR 240.19b-4(f)(2).

SECURITIES AND EXCHANGE COMMISSION
(Release No. 34-_____; File No. SR-MSRB-2017-07)

Self-Regulatory Organizations; Municipal Securities Rulemaking Board; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to MSRB Rule A-11, on Assessments for Municipal Advisor Professionals, to Amend the Annual Municipal Advisor Professional Fee

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act” or “Exchange Act”)¹ and Rule 19b-4 thereunder,² notice is hereby given that on the Municipal Securities Rulemaking Board (“MSRB” or “Board”) filed with the Securities and Exchange Commission (“Commission” or “SEC”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the MSRB. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The MSRB filed with the Commission a proposed rule change to amend MSRB Rule A-11, on assessments for municipal advisor professionals, to increase the annual municipal advisor professional fee from \$300 to \$500 and make other technical changes (the “proposed rule change”). The MSRB has designated the proposed rule change for immediate effectiveness. The MSRB will send the first invoice at the new fee level to firms in April 2018 for payment by April 30, 2018.

The text of the proposed rule change is available on the MSRB’s website at www.msrb.org/Rules-and-Interpretations/SEC-Filings/2017-Filings.aspx, at the MSRB’s principal office, and at the Commission’s Public Reference Room.

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the MSRB included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The MSRB has prepared summaries, set forth in Sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to increase the existing annual municipal advisor professional fee assessment to help defray the costs and expenses of operating and administering the MSRB, particularly the MSRB's regulatory and related activities in connection with municipal advisors. In the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 ("Dodd-Frank Act"),³ Congress charged the Commission and the MSRB with the regulation of municipal advisors and specifically granted the MSRB authority to charge municipal advisors reasonable fees to defray the costs of the operation of the MSRB.⁴ In its exercise of authority granted by Congress, the MSRB has since developed a comprehensive regulatory framework for municipal advisors.⁵ To help defray the costs of this and related

³ Pub. Law No. 111-203, 124 Stat. 1376 (2010).

⁴ See 15 U.S.C. 78o-4(b)(2)(J).

⁵ In furtherance of this framework, the MSRB developed a professional qualification exam, adopted new rules for municipal advisors and extended existing rules to municipal advisors that previously applied only to brokers, dealers and municipal securities dealers (collectively, "dealers.") These include, but are not limited to: Rule G-44 regarding the supervisory and compliance obligations of municipal advisors, see Release No. 34-73415

activities, in 2014, the MSRB adopted Rule A-11, on assessments for municipal advisor professionals.

Pursuant to Rule A-11, each municipal advisor firm that is registered with the Commission is required to pay to the Board a recurring annual fee equal to \$300 for each Form MA-I filed with the Commission by such municipal advisor as of January 31 of each year. Rule A-11 also provides for late fees on assessments that are not paid in full, and includes a transitional provision that, at the time of Rule A-11's adoption, was necessary to take into account the timing of the phased-in compliance period for the SEC's permanent municipal advisor registration process.

The proposed rule change would amend Rule A-11(a) to provide that each municipal advisor that is registered with the Commission shall pay to the Board a recurring annual fee, equal to \$500 for each person associated with the municipal advisor who is qualified as a municipal advisor representative in accordance with Rule G-3 and for whom the municipal advisor has on file with the Commission a Form MA-I as of January 31 of each year ("covered

(October 23, 2014), 79 FR 64423 (October 29, 2014) (File No. SR-MSRB-2014-06) (SEC order approving Rule G-44); Rule G-42 regarding the duties of non-solicitor municipal advisors, see Release No. 34-76753 (December 23, 2015), 80 FR 81614 (December 30, 2015) (File No. SR-MSRB-2015-03) (SEC order approving Rule G-42); amendments to Rule G-20, on gifts, gratuities and non-cash compensation, to extend provisions of the rule to municipal advisors, see Release No. 34-76381 (November 6, 2015), 80 FR 70271 (November 13, 2015) (File No. SR-MSRB-2015-09) (SEC order approving amendments to Rule G-20); amendments to Rule G-37, on political contributions and prohibitions on municipal securities business, to extend its provisions to municipal advisors, see Release No. 34-76763 (December 23, 2015), 80 FR 81710 (December 30, 2015) (File No. SR-MSRB-2015-14) (Notice of filing of proposed amendments to Rule G-37); and amendments to Rule G-3 to establish registration and professional qualification requirements for municipal advisors, see Release No. 34-74384 (February 26, 2015), 80 FR 11706 (March 4, 2015) (File No. SR-MSRB-2014-08) (SEC order approving registration and professional qualification requirements for municipal advisor representatives and municipal advisor principals).

persons”).⁶ Amended Rule A-11(a) would increase the amount of the current assessment from \$300 to \$500 and delete a now-outdated reference to the fiscal year for which the annual municipal advisor professional fee first became due. In addition, a minor amendment to section (a) would help streamline the rule by deleting the unnecessary clause “and shall be payable” from the final sentence in that section. Lastly, amendments to Rule A-11(a) would provide that the assessment payable would be determined based on the number of Form MA-Is on file with the Commission (as it is currently determined) and based on the number of associated persons qualified as a municipal advisor representative in accordance with Rule G-3. A person is qualified as a municipal advisor representative in accordance with Rule G-3(d) when such person has taken and passed the Municipal Advisor Representative Qualification Examination (the “Series 50 exam”).⁷

An amendment to Rule A-11(b) would provide that a municipal advisor that fails to timely pay in full “the total” annual municipal advisor professional fee due under section (a) shall pay a monthly late fee equal to \$25 for such failure, while another amendment would delete the reference to the monthly fee being payable “for each \$300 assessment not paid in full.” Together, these amendments to section (b) are intended to make clear that a separate \$25

⁶ While the MSRB has designated the proposed rule change for immediate effectiveness, by its terms, the assessment at the \$500 per covered person rate would be based on covered persons as of January 31 of each year. As noted above, the MSRB will send the first invoice at the new fee level (measured as of January 31, 2018) to firms in April 2018 for payment by April 30, 2018.

⁷ As of September 12, 2017, only an associated person of a municipal advisor firm who has passed the Series 50 exam may engage in municipal advisory activities on behalf of the municipal advisor firm. Additionally, municipal advisor principals must likewise qualify as a municipal advisor representative by passing the Series 50 exam. See MSRB Notice 2017-09, MSRB Reminds Municipal Advisors that the Series 50 Exam Deadline is September 12, 2017 (May 8, 2017). Because all municipal advisor principals must also qualify as a municipal advisor representative, the \$500 assessment would equally apply to municipal advisor principals.

monthly late fee would not be due for each covered person for which the \$300 fee was not timely paid. Rather, a municipal advisor firm would be required to pay only one \$25 monthly late fee (regardless of the number of its covered persons for which the per professional fee was not timely paid) if it fails timely to pay in full the total fee due under section (a).⁸ Finally, the proposed rule change would delete Rule A-11(c) because that provision pertains to a transitional municipal advisor professional fee that no longer has application. A related minor technical amendment to Rule A-11(b) would delete a reference to Rule A-11(c).

The MSRB believes that the proposed fee increase reflected in the proposed amendments to Rule A-11(a) is reasonable as well as necessary and appropriate to help defray the costs of operating and administering the MSRB. It is also a step towards achieving the MSRB's strategic goal of promoting long-term financial stability by assessing fair and equitable fees, and diversifying funding sources. The MSRB believes the proposed rule change will help the organization provide for assessments that are increasingly more fairly and equitably apportioned among all registrants. The MSRB notes that, consistent with the Board's long-standing prohibition on charging or otherwise passing through to issuers the fees required under Rule A-13,⁹ municipal advisors similarly would be prohibited from charging or otherwise passing through the fees required under Rule A-11 to issuers.

The Board's Holistic Review of MSRB Fees

⁸ This late fee would be in addition to a late fee on the total overdue balance based on the Prime Rate.

⁹ See Release No. 34-81264 (July 31, 2017), 82 FR 36472, n. 18 (August 4, 2017) (File No. SR-MSRB-2017-05) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Assess an Underwriting Fee on Dealers That Are Underwriters of Primary Offerings of Plans).

The MSRB assesses dealers and municipal advisors (collectively, “regulated entities”) various fees designed to defray the costs of its operations and administration, including rulemaking, market transparency, and educational and market outreach initiatives that fulfill its Congressional mandate to, among other things, protect investors, state and local governments and other municipal entities, obligated persons and the public interest and promote a fair and efficient municipal securities market.¹⁰ Section 15B(b)(2)(J) of the Act¹¹ provides, in pertinent part, that each regulated entity shall pay to the Board such reasonable fees and charges as may be necessary or appropriate to defray the costs of operating and administering the Board, and that the MSRB shall have rules specifying the amount of such fees. The current fees so specified by MSRB rules are:

1. Municipal advisor professional fee (Rule A-11)

\$300 annually per Form MA-I on file with the SEC by the municipal advisor;

2. Late fee (Rules A-11 and A-12)

\$25 monthly late fee and a late fee on the overdue balance (computed according to the prime rate) until paid on balances not paid within 30 days of the invoice date by the dealer or municipal advisor;

3. Initial registration fee (Rule A-12)

¹⁰ See Section 15B(b)(2) of the Act (15 U.S.C. 78o-4(b)(2)) (in relevant part, requiring the Board to propose and adopt rules for municipal advisors with respect to municipal financial products, the issuance of municipal securities and solicitations of municipal entities or obligated persons undertaken by brokers, dealers, municipal securities dealers, and municipal advisors).

¹¹ 15 U.S.C. 78o-4(b)(2)(J).

\$1,000 one-time registration fee to be paid by each dealer to register with the MSRB before engaging in municipal securities activities and by each municipal advisor to register with the MSRB before engaging in municipal advisory activities;

4. Annual registration fee (Rule A-12)

\$1,000 annual fee to be paid by each dealer and municipal advisor registered with the MSRB;

5. Underwriting fee (Rule A-13)

\$.0275 per \$1,000 of the par value paid by a dealer, on all municipal securities purchased from an issuer by or through such dealer, whether acting as principal or agent as part of a primary offering, except in limited circumstances; and in the case of an underwriter (as defined in Rule G-45) of a primary offering of certain municipal fund securities, \$.005 per \$1,000 of the total aggregate assets for the reporting period;¹²

6. Transaction fee (Rule A-13)

.001% (\$.01 per \$1,000) of the total par value to be paid by a dealer, except in limited circumstances, for inter-dealer sales and customer sales reported to the MSRB pursuant to Rule G-14(b), on transaction reporting requirements;

7. Technology fee (Rule A-13)

\$1.00 paid by a dealer per transaction for each inter-dealer sale and for each sale to customers reported to the MSRB pursuant to Rule G-14(b); and

¹² Beginning in May 2018, the Board will invoice underwriters of a primary offering of certain municipal fund securities for the assessments due. See Release No. 34-81264 (July 31, 2017), 82 FR 36472 (August 4, 2017) (File No. SR-MSRB-2017-05) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Assess an Underwriting Fee on Dealers That Are Underwriters of Primary Offerings of Plans).

8. Professional qualification examination fee (Rule A-16)

\$150 test development fee assessed per candidate for each MSRB professional qualification examination.¹³

Initiated in 2015, the Board's holistic review of fees that the Board assesses on regulated entities continues. The Board evaluates those fees with the goal of better aligning revenue sources with operating expenses and all capital needs. The Board strives to diversify funding sources among regulated entities and other entities that fund MSRB activities in a manner that ensures long-term sustainability, while continuing to strike an equitable balance among regulated entities and a fair allocation of the expenses of the regulatory activities, systems development and operational activities undertaken by the MSRB. In determining the fair allocation of the cost of MSRB regulation to regulated entities, the Board considers, among other things: registration to engage in municipal securities or municipal advisory activities; the level of dealer market activity; and the number of associated persons engaged in municipal advisory activities on behalf of a municipal advisor. Recognizing that in any given year there could be more or less activity by a particular class of regulated entities, the Board, as it has historically, seeks to maintain a fee structure that results in a balanced and reasonable contribution over time from all regulated entities to defray costs and expenses of operating and administering the MSRB.

As part of the Board's ongoing review and examination of fees, the Board reviewed the amount of the \$300 per professional fee charged under Rule A-11. This fee was originally established in 2014 as a reasonable initial starting amount to help defray the costs and expenses

¹³ In addition, the MSRB charges data subscription and service fees for subscribers, including regulated entities, seeking direct electronic delivery of municipal trade data and disclosure documents associated with municipal bond issues. However, this information is available without direct electronic delivery on the EMMA website without charge.

of operating and administering the MSRB, particularly the MSRB's regulatory and related activities in connection with municipal advisors.¹⁴

These regulatory activities include the development and implementation of a comprehensive regulatory framework for municipal advisors, including: the extension to municipal advisors of rules that previously only applied to dealers on the subject of fair dealing and specified forms of conflicts of interest;¹⁵ the adoption of new rules for municipal advisors that establish the core standards of conduct for non-solicitor municipal advisors and that establish supervisory and compliance obligations for municipal advisor firms;¹⁶ the creation of new municipal advisor recordkeeping requirements and municipal advisory client education and protection provisions;¹⁷ and the development and implementation of professional standards for

¹⁴ See Release No. 34-72019 (April 25, 2014), 79 FR 24798, 24798 (May 1, 2014) (File No. SR-MSRB-2014-03) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Consisting of New Rule A-11, on Assessments for Municipal Advisor Professionals); see also MSRB Notice 2014-09, MSRB to Implement New MSRB Rule A-11 Establishing Fees for Municipal Advisor Professionals (April 17, 2014).

¹⁵ See Rule G-17, Conduct of Municipal Securities and Municipal Advisory Activities; Rule G-20, Gifts Gratuities, Non-Cash Compensation and Expenses of Issuance; and Rule G-37, Political Contributions and Prohibitions on Municipal Securities Business and Municipal Advisory Business available at <http://msrb.org/Rules-and-Interpretations/MSRB-Rules.aspx>.

¹⁶ See Rule G-42, Duties of Non-Solicitor Municipal Advisors; Rule G-44, Supervisory and Compliance Obligations of Municipal Advisors available at <http://msrb.org/Rules-and-Interpretations/MSRB-Rules.aspx>.

¹⁷ See Rule G-8, Books and Records to be Made by Brokers, Dealers, and Municipal Securities Dealers and Municipal Advisors; and Rule G-10, Investor and Municipal Advisory Client Education and Protection available at <http://msrb.org/Rules-and-Interpretations/MSRB-Rules.aspx>. Effective October 13, 2017, current Rule G-10, Delivery of Investor Brochure, will be replaced in its entirety by new Rule G-10.

municipal advisors to help ensure that all municipal advisors are competent and qualified.¹⁸ As part of the implementation of this latter category of rules, the MSRB also established the Series 50 exam, a baseline test of a municipal advisor's competency and knowledge of applicable rules.

To assist municipal advisors in understanding and complying with this new regulatory framework, the MSRB has undertaken considerable education, outreach and compliance activities. These include, but are not limited to: the creation of educational documents, resources and compliance-oriented notices and communications;¹⁹ the development of educational webinars and the organization of, and participation in, outreach events;²⁰ and the launch of an expanded on-demand education program, MuniEdPro®, which was designed, in part, to serve the education needs of regulated entities.

Looking forward to Fiscal Year 2018, the MSRB expects to continue its many activities relating to municipal advisors, including its significant education, outreach and compliance

¹⁸ See Rule G-2, Standards of Professional Qualification; and Rule G-3, Professional Qualification Requirements available at <http://msrb.org/Rules-and-Interpretations/MSRB-Rules.aspx>.

¹⁹ For example, the MSRB supports regulatory compliance by municipal advisors by providing resources about MSRB requirements, as well as more general educational material. Municipal advisors may access these resources and others, including the Municipal Advisor Review, the MSRB's quarterly newsletter for municipal advisors at <http://www.msrb.org/Regulated-Entities/Resources.aspx>. In addition, the MSRB has published several regulatory notices for municipal advisors to help keep market participants informed of regulatory changes and to provide guidance on the application of existing rules. See e.g., MSRB Notice 2017-08, Application of MSRB Rules to Solicitor Municipal Advisors (May 4, 2017); MSRB Notice 2017-13, MSRB Provides Guidance on Duties of Non-Solicitor Municipal Advisors in Conduit Financing Scenarios (July 13, 2017).

²⁰ For example, the MSRB provides free education and training webinars on municipal market topics, regulatory and compliance issues, and the use of MSRB market transparency systems. Municipal advisors may register for new webinars and access on-demand webinars, including some webinars that provide CPE credit at <http://www.msrb.org/Regulated-Entities/Webinars.aspx>.

initiatives. The MSRB will also be developing a new municipal advisor principal-level professional qualification examination—the Series 54—for anticipated availability as a pilot in 2019.²¹

In an August 2015 fee filing associated with the Board’s holistic review of fees,²² the MSRB explained that, at that time, it was not modifying the \$300 municipal advisor per professional fee to provide municipal advisors with additional time for the municipal advisor regulations and business models to more fully develop. However, the MSRB explained that the targeted revenue to be generated from the municipal advisor professional fee of approximately \$2 million at that time, or approximately 5% of total MSRB revenues, was not yet being met and the per professional fee would need to be increased in the future. The proposed rule change is the next step towards moving closer to that revenue target.²³

2. Statutory Basis

²¹ Once the Series 54 exam is permanently available, municipal advisor principals will be required to take the Series 54 exam in addition to the Series 50 exam. See FAQs on Municipal Advisor Professional Qualification and Examination Requirements, at n. 1 available at <http://www.msrb.org/msrb1/pdfs/FAQ-MSRB-Series-50-Exam.pdf>.

²² See Release No. 34-75751 (August 24, 2015), 80 FR 52352, 52355 (August 28, 2015) (File No. SR-MSRB-2015-08) (Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Consisting of Amendments to MSRB Rule A-12, on Registration, and MSRB Rule A-13, on Underwriting and Transaction Assessments for Brokers, Dealers and Municipal Securities Dealers).

²³ The MSRB expects that the municipal advisor professional fee, at the dollar amount set forth in the proposed rule change, would generate approximately 4% of the MSRB’s Fiscal Year 2018 revenue. The MSRB will release and make publicly available its budget for Fiscal Year 2018 in October 2017. See MSRB Monthly Update (September 2017) available at <https://content.govdelivery.com/accounts/VAORGMSRB/bulletins/1b497b6>.

The MSRB believes that the proposed rule change is consistent with Section 15B(b)(2)(J) of the Act²⁴ which states that the MSRB's rules shall:

provide that each municipal securities broker, municipal securities dealer, and municipal advisor shall pay to the Board such reasonable fees and charges as may be necessary or appropriate to defray the costs and expenses of operating and administering the Board. Such rules shall specify the amount of such fees and charges, which may include charges for failure to submit to the Board, or to any information system operated by the Board, within the prescribed timeframes, any items of information or documents required to be submitted under any rule issued by the Board.

The MSRB believes that its rules, as amended by the proposed rule change, provide for reasonable dues, fees, and other charges among regulated entities. The MSRB believes that the proposed rule change is necessary and appropriate to fund the operation and administration of the Board and satisfies the requirements of Section 15B(b)(2)(J).²⁵ The MSRB believes the proposed rule change is necessary because it will help defray the costs of the Board's significant rulemaking, market transparency, educational and market outreach initiatives, market leadership, professional qualifications examination development and other activities relating to municipal advisors. As discussed above, the MSRB has engaged in significant rulemaking to put into place a regulatory framework for municipal advisors and has engaged in considerable activities to assist municipal advisors in understanding their obligations and comply with the applicable rules. In addition, because the MSRB does not have any examination or enforcement authority, the MSRB has enhanced its coordination with the regulatory authorities charged with the authority to examine for compliance with and enforce MSRB rules. The MSRB frequently provides rule interpretations, training related to the market and MSRB rules, and access to municipal market information in support of the municipal advisor examination and enforcement activities of these

²⁴ 15 U.S.C. 78o-4(b)(2)(J).

²⁵ Id.

regulatory authorities. The MSRB expects to continue its many activities relating to municipal advisors, with a focus on education, outreach and compliance. In addition, as noted above, the MSRB will be working to develop the Series 54 professional qualification exam. The proposed rule change will assist in defraying some of the costs associated with these activities and will help ensure the MSRB is funding these regulatory activities in a financially responsible way.

The MSRB believes the proposed rule change is appropriate because it moves towards a more equitable balance of fees among regulated entities and hence a fairer allocation of the expenses of the regulatory activities, systems development, and operational activities undertaken by the MSRB. However, even with the fee increase in the proposed rule change, the proposed fees would only defray a small portion of the MSRB's overall costs of operating and administering the MSRB – generating approximately 4% of Fiscal Year 2018 revenue.²⁶

MSRB operations are funded primarily by assessments and fees on regulated entities. In fact, 80% of the Fiscal Year 2018 budgeted revenue is based on market activity (that is, municipal securities trading and underwriting volume). Due to the accumulated historical variances between actual and budgeted revenue, the MSRB has excess reserves. This is largely due to the MSRB's appropriately conservative approach to budgeting revenues that are primarily market-based and inherently volatile. While the MSRB's current reserve levels exceed targets, the MSRB budget for Fiscal Year 2018 has a deficit, as do the pro forma budgets for Fiscal Years 2019 through 2020. The MSRB anticipates that in the future, based on assumptions reviewed and agreed upon by the MSRB, excess reserves will be eroded by Fiscal Year 2020 (even with the increased municipal advisor professional fee and new underwriting fee on underwriters of 529 college savings plans). Further, the MSRB's budget for Fiscal Year 2018

²⁶ See n. 23 and accompanying text.

anticipates that the MSRB will strategically spend some of its reserves. Finally, the MSRB believes, as a matter of principle, that it is inherently unfair to allow certain regulated entities to pay a disproportionate share of the cost of operating the MSRB. The MSRB therefore regularly evaluates fees and adjusts them, as needed, to ensure that all regulated entities that benefit from functioning in a fair, efficient and transparent market pay their fair share.

B. Self-Regulatory Organization's Statement on Burden on Competition

Section 15B(b)(2)(C) of the Act²⁷ requires that MSRB rules not be designed to impose any burden on competition not necessary or appropriate in furtherance of the purposes of the Act. In addition, Section 15B(b)(2)(L)(iv) of the Act²⁸ provides that MSRB rules “not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons, provided that there is robust protection of investors against fraud.”

The Board's policy on the use of economic analysis in rulemaking²⁹ limits its application regarding those rules for which the Board seeks immediate effectiveness. However, an internal

²⁷ 15 U.S.C. 78o-4(b)(2)(C).

²⁸ 15 U.S.C. 78o-4(b)(2)(L)(iv).

²⁹ The scope of the Board's policy on the use of economic analysis in rulemaking provides that:

[t]his Policy addresses rulemaking activities of the MSRB that culminate, or are expected to culminate, in a filing of a proposed rule change with the SEC under Section 19(b) of the Exchange Act, other than a proposed rule change that the MSRB reasonably believes would qualify for immediate effectiveness under Section 19(b)(3)(A) of the Exchange Act if filed as such or as otherwise provided under the exception process of this Policy.

Policy on the Use of Economic Analysis in MSRB Rulemaking, available at <http://msrb.org/Rules-and-Interpretations/Economic-Analysis-Policy.aspx>. For those rule

analysis is still conducted to gauge the economic impact, with an emphasis on the burden on competition involving regulated entities. Guided by these aspects of the policy, the Board has reviewed the proposed rule change. The Board believes the proposed rule change is necessary and appropriate to ensure that MSRB registrants that are municipal advisors equitably contribute to defraying the costs and expenses of operating and administering the MSRB. The MSRB has considered the economic impact of the proposed rule change. The MSRB does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act since it will apply equally to all municipal advisors based on the number of persons qualified as municipal advisor representatives associated with the municipal advisor and the number of Forms MA-I filed by each firm.

The MSRB believes the current fee structure is fair and equitable among municipal advisors of differing size. The existing per firm annual fee (\$1,000) helps cover the fixed costs of regulating any firm, regardless of size; while the existing annual professional fee assessment results in smaller municipal advisors paying less than larger municipal advisors. The proposed fee increase will further expand the current spread paid between large versus small firms. The MSRB notes that other self-regulatory organizations and independent oversight and rulemaking boards, such as the Financial Industry Regulatory Authority (“FINRA”), the Public Company Accounting Oversight Board (“PCAOB”), National Futures Association (“NFA”) and the Financial Accounting Standards Board (“FASB”), all have some annual fee assessment structure that is based on the size of firms under regulation.³⁰

changes for which the MSRB seeks immediate effectiveness, the MSRB usually focuses its examination exclusively on the burden on competition of regulated entities.

³⁰ For example, FINRA’s annual registration fee and new member application fee assessments for broker-dealers are based on the number of branch offices and the number

The MSRB believes that the fee increase will not impose an unnecessary or inappropriate regulatory burden on small municipal advisors. The total amount of the assessment payable by each municipal advisor will be dependent on the number qualified associated persons for whom Forms MA-I are filed by the municipal advisor³¹ and, therefore, will result in lower relative assessments for smaller firms. Being based on the number of persons engaging in municipal advisory activities on behalf of a firm, the total fee will bear a reasonable relationship to the level of regulated municipal advisory activities that are undertaken by each firm.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Board did not solicit comment on the proposed change. Therefore, there are no comments on the proposed rule change received from members, participants or others.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing proposed rule change has become effective pursuant to Section 19(b)(3)(A) of the Act³² and paragraph (f) of Rule 19b-4 thereunder.³³ At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or

of registered persons, the PCAOB's annual fee assessment is based on the number of issuer audit clients and the number of personnel within each public accounting firm, NFA's annual member dues for swap dealers and Forex dealers are based on the tier size of member firms, and FASB's accounting support fees are allocated based on the average market capitalization of each issuer.

³¹ The MSRB understands that the Form MA-I on file should be withdrawn for any person who fails to qualify as a municipal advisor representative in accordance with Rule G-3. See Registration of Municipal Advisors Frequently Asked Questions at Question 16.1, available at <https://www.sec.gov/info/municipal/mun-advisors-faqs.shtml>.

³² 15 U.S.C. 78s(b)(3)(A).

³³ 17 CFR 240.19b-4(f).

appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to rule-comments@sec.gov. Please include File Number SR-MSRB-2017-07 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-2017-07. 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 written statements with respect to the proposed rule change that are filed with the Commission, and all written communications 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 am and 3:00 pm.

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. All submissions should refer to File Number SR-MSRB-2017-07 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, pursuant to delegated authority.³⁴

Secretary

³⁴ 17 CFR 200.30-3(a)(12).

Rule A-11: Assessments for Municipal Advisor Professionals

(a) *Annual Municipal Advisor Professional Fee.* Each municipal advisor that is registered with the Commission shall pay to the Board a recurring annual fee [beginning with the Board's fiscal year 2015 (which begins October 1, 2014)], equal to [~~\$300~~] \$500 for each person associated with the municipal advisor who is qualified as a municipal advisor representative in accordance with Rule G-3 and for whom the municipal advisor has on file with the Commission a Form MA-I [filed with the Commission by such municipal advisor] as of January 31 of each year. The annual professional fee shall be due by April 30 each year [and shall be payable] in the manner provided by the MSRB Registration Manual.

(b) *Late Fees.* Any municipal advisor that fails timely to pay in full [a] the total professional fee due under section (a) [or (c)] of this rule shall pay a monthly late fee equal to twenty-five dollars for such failure [for each \$300 assessment not paid in full], and a late fee on the total overdue balance based on the Prime Rate as provided for in the MSRB Registration Manual, until paid.

[(c) *Transitional Municipal Advisor Professional Fee.* Assessments for each municipal advisor registered either temporarily or permanently with the Commission on or before September 30, 2014, shall be due ten business days after the acceptance of its permanent registration by the Commission, and in an amount equal to \$300 for each Form MA-I filed with the Commission by such municipal advisor. The transitional professional fee shall be payable in the manner provided by the MSRB Registration Manual.]