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Stakeholders
Municipal Securities
Dealers, Municipal
Advisors

Notice Type
Informational Notice

Category
Administration

Affected Rules
[Rule A-18](#)

Designation Information Regarding Mandatory Participation in Business Continuity and Disaster Recovery Testing

Overview

Annually, the Municipal Securities Rulemaking Board (MSRB) publishes a notice establishing the criteria for designating participants for its mandatory business continuity and disaster recovery testing consistent with Regulation Systems Compliance and Integrity (Regulation SCI), which was adopted by the U.S. Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934.¹ The SEC requires the MSRB, as an entity subject to Regulation SCI, to, among other things, require certain brokers, dealers, municipal securities dealers and municipal advisors registered with the MSRB (collectively, “MSRB Registrants”) to participate in the testing of the operation of the MSRB’s business continuity and disaster recovery plans (BC/DR Plans), in the manner and frequency specified by the MSRB, provided that such frequency shall not be less than once every 12 months.² To facilitate this Regulation SCI requirement, the MSRB adopted MSRB Rule A-18, on mandatory participation in business continuity and disaster recovery testing, on November 2, 2015.³

Under Rule A-18, the MSRB designates as Participants in the mandatory functional and performance testing of the operation of the MSRB’s BC/DR Plans those MSRB Registrants whose submissions of data to the MSRB, taken as a whole, account for a meaningful percentage of the MSRB’s data submission volume required to be provided by MSRB Registrants, measured during an established time period (the “Measurement Period”).

¹ See Securities Exchange Act Release No. 73639 (November 19, 2014), 79 FR 72251 (December 5, 2014) (“SCI Adopting Release”).

² 17 CFR 242.1001(b).

³ See File No. SR-MSRB-2015-12.



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Designation Criteria and Measurement Period

The MSRB has established the following criteria for designating Participants for the next mandatory functional and performance testing of the operation of the MSRB's BC/DR Plans. Such criteria are designed to ensure participation by those MSRB Registrants that the MSRB reasonably determines are, taken as a whole, the minimum necessary for the maintenance of fair and orderly markets in the event of the activation of its BC/DR Plans. The MSRB has established the following criteria for Participant designation, which reflects the different types or levels of activity generally found on each of the below systems:

- For the Real-Time Transaction Reporting System (RTRS), the MSRB will designate the top five MSRB Registrants in terms of number of municipal security trades as reported to RTRS during a calendar month prior to the testing, provided that such MSRB Registrants' cumulative activity accounts for at least 30% of the number of municipal security trades reported to RTRS during that month;
- For the Short-term Obligation Rate Transparency system (SHORT), the MSRB will designate the top five MSRB Registrants acting as program dealers for auction rate securities or marketing agents for variable rate demand obligations (or providing services on behalf of such dealers) that participated in interest rate resets as reported to SHORT during a calendar month prior to the testing, provided that such MSRB Registrants' cumulative activity accounts for at least 30% of the interest rate resets reported to SHORT during that month; and
- For primary market data and document submissions to the MSRB's Electronic Municipal Market Access (EMMA[®]) system, the MSRB will designate the top five MSRB Registrants that engaged in underwriting activity in terms of par amount underwritten as reported on Forms G-32 during a calendar month prior to the testing, provided that such MSRB Registrants' cumulative activity accounts for at least 30% of the par amount underwritten during that month.

Should the "top five" criteria described above not result in representation of at least 30% of the relevant activity on the applicable MSRB system, then the top MSRB Registrants that together represent at least 30% of such activity on the applicable system during the Measurement Period would be designated as Participants.

Notification and Applicability

Firms are not required to determine Participant status. The MSRB will, at least 45 calendar days prior to a functional and performance test of an operation of the MSRB's BC/DR Plans, individually notify all Participants that are required to participate in such testing. Such notification to Participants will include information regarding the manner of the testing and instructions detailing the requirements for mandatory participation.

Any changes to the standards by which an MSRB Registrant may be designated a Participant in the functional and performance testing of the BC/DR Plans will be publicly announced in accordance with Rule A-18.

Questions about this notice may be directed to Gail Marshall, Chief Compliance Officer, or James McMahon, Counsel II, at 202-838-1500.

February 21, 2020

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