



January 28, 2025

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

Re: MSRB Request for Information on the Rate Card Process, Notice 2024-14

Dear Mr. Smith,

I am writing on behalf of the American Securities Association¹ (ASA) in response to the Municipal Securities Rulemaking Board's (MSRB) Request for Information (RFI) regarding its Rate Card Process. This letter also addresses concerns regarding the MSRB's Fiscal Year (FY) 2025 budget, following up on our previous discussions. We appreciate the opportunity to provide feedback and engage in continued dialogue with the MSRB.

The ASA has consistently supported the MSRB's mission to enhance transparency and efficiency in the municipal securities market. Our focus has always been on ensuring that the fees paid by dealers are judiciously and fairly allocated and that the resulting benefits to the market are commensurate with these contributions.

We believe that regular, open discussions with stakeholders like the ASA about the MSRB's budget priorities and spending decisions are crucial for maintaining a fair and efficient market environment. It is in this spirit of constructive collaboration that we offer our insights and recommendations in response to the MSRB's Request for Information on the Rate Card Process.

Fiscal Year 2025 Budget

Upon reviewing the MSRB's FY 2025 Budget Summary, several concerns previously expressed by ASA remain unaddressed. The budget continues to heavily depend on dealer-related fees, which account for a majority of total revenue, while municipal advisor professional fees contribute significantly less. This stark disparity in fee distribution suggests that dealers are bearing a disproportionate share of the regulatory costs while municipal advisors may be benefiting from MSRB services and regulations without contributing an equitable portion of the expenses.

The MSRB's current fee structure includes three market activity fees for dealers (transaction fee, underwriting fee, and trade count fee) but only a fixed rate professional fee for municipal advisors. To address this imbalance, the MSRB should consider alternative fee models that more accurately reflect the value and usage of MSRB services by different market participants. For instance, the MSRB could explore assessing MA activity-based fees based on the usage of MSRB resources. This could include various activities such as transaction-related advice, ongoing advisory services, or paid solicitation

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 advances financial independence, stimulates job creation, and increases prosperity. The ASA has a geographically diverse membership base that spans the Heartland, Southwest, Southeast, Atlantic, and Pacific Northwest regions of the United States.





activities where the activity is utilizing MSRB systems and tools to perform their fee-based activity. This approach could provide a more nuanced and fair foundation for fee assessment based on a firm or individual utilizing the MSRB as a tool to provide their services, instead of developing their own resources or contracting with a vendor who pays MSRB fees for data.

The current data redistribution model should also be reevaluated. The one-size-fits-all payment structure for unlimited data consumption creates an unfair competitive landscape. Smaller firms, which only need data for a limited number of individuals, bear the same costs as larger platforms with thousands of users. This imbalance in cost allocation puts smaller firms at a significant disadvantage. To ensure fair competition among all market participants, a more equitable pricing model for data redistribution should be implemented.

Reevaluation of EMMA Enhancements. The EMMA website plays a crucial role in implementing the Dodd-Frank Act's objectives of increased transparency, investor protection, and market integrity in the municipal securities market. However, its expansion over the years raises concerns regarding the necessity and scope of certain enhancements.

While EMMA has evolved to provide readily accessible data feeds and pricing information to individual investors, concerns have arisen regarding certain developments including data analytics, research, and publications, which appear to compete with existing analytical tools and services offered by industry professionals.

The expansion of EMMA raises two critical questions:

1. Is it the MSRB's responsibility to provide comprehensive information and technology at no cost to all consumers?
2. What is the source of the desire to expand EMMA beyond its original purpose?

We urge the MSRB to reconsider EMMA's scope, focusing on essential features that benefit most stakeholders without duplicating existing services or unfairly competing with fee-based professional offerings. By focusing on essential features that benefit the majority of stakeholders, the MSRB can potentially reduce costs and minimize the need for excessive fee increases.

We also recommend greater transparency regarding professional entities by category using EMMA, for example, but not limited to municipal advisor, underwriter, and data redistributors. Further we would ask for additional transparency into the entities requesting EMMA enhancements, including a breakdown of costs and usage patterns for professional users, and a clear explanation of how these enhancements benefit the overall marketplace. By implementing these measures and avoiding duplication of resources already developed or sourced from vendors, the MSRB can work towards a more balanced and fair distribution of costs among all market participants.

Storage Policy for Inactive Bonds. The MSRB should implement a policy mandating the storage of transactions involving inactive bonds in deep storage systems. This approach would provide several benefits, including cost-effective data management by significantly reducing ongoing storage costs while maintaining data accessibility upon request with associated retrieval charges. This strategy would also adhere to industry-standard data management practices and ensure the MSRB remains at the forefront of efficient information handling.





By implementing this policy, the MSRB can optimize its data storage infrastructure, reduce operational costs, and continue to provide valuable historical transaction data when needed. The introduction of access charges for deep storage retrieval will help offset the costs associated with maintaining an extensive database, ensuring a sustainable model for long-term data preservation and accessibility in the municipal securities market. The municipal securities market would stand to benefit particularly from this approach given the long-term nature of many municipal bonds and the potential for extended periods of inactivity.

Cost of Data to Wholesale Providers. To further align MSRB's revenue structure with its operational costs and ensure fair distribution of expenses, we recommend reassessing the pricing model for wholesale data providers. Specifically, the MSRB should consider implementing a comprehensive reassessment of its pricing model for wholesale data providers who repackage municipal securities data for a fee.

To ensure ongoing fairness and adaptability, the MSRB should establish a regular review process for the pricing model. Throughout this process, MSRB should engage various stakeholders, including data providers, investors, and issuers, to gather input and inform the new pricing structure.

Regular Stakeholder Budget Meetings

We strongly urge the MSRB to implement a more robust and frequent stakeholder engagement process throughout its annual budget-setting cycle. Specifically, we recommend that the MSRB conduct in-depth meetings with stakeholders multiple times throughout each year during the budget formulation process. These meetings should serve as a platform for the MSRB to gather comprehensive feedback on priority items from affected parties, with particular emphasis on those who contribute significantly to funding the budget. This enhanced engagement would allow for more nuanced discussions on proposed initiatives, potential cost implications, and the overall direction of the MSRB's activities, ultimately leading to more effective and efficient use of resources in service of the market's best interests.

Conclusion

By incorporating stakeholder feedback early in the budgeting process, the MSRB can ensure that its financial decisions are more closely aligned with the needs and concerns of the municipal securities market participants. We appreciate the MSRB's efforts in enhancing market transparency and efficiency and look forward to future communication about the MSRB's budget.

Sincerely,

Jessica Giroux

Jessica R. Giroux
General Counsel and Head of Fixed Income Policy
American Securities Association



January 28, 2025

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

Dear Mr. Smith,

The Bond Dealers of America (BDA) is pleased to provide comments on MSRB Notice 2024-14, "Request for Information on the MSRB's Rate Card Process." BDA is the only DC-based group exclusively representing the interests of securities dealers and banks focused on the US fixed income markets.

BDA largely stands by previous statements we have made to the Board and the Commission on the MSRB's Rate Card, budget process, and finances in general, viz., last year we told the Commission "While we do not disagree with the rate card system in general, we believe the MSRB's overall approach to fees and revenue is flawed. The Board's budget process is opaque, there is little to no oversight of the MSRB's spending, the rate of recent budget increases is unreasonable and unsustainable, the fee structure places too much burden on dealers and not enough on non-dealer municipal advisors, and fees under the Rate Card system, while intended to be stable, have turned out to be volatile." (BDA comment letter on SEC Release No. 34-99096).

While BDA appreciates some of the steps the Board has taken to address these issues and commends the Board for taking another comprehensive look at the MSRB's fee-setting and budgeting process, we believe that additional work is needed in order to improve fee rate setting transparency and predictability.

Market activity fees

The MSRB imposes three fees on dealers based on their levels of market activity, a transaction fee, an underwriting fee, and a trade count fee. The basis for these fees is generally reasonable. However, firms' preferences for which fees to emphasize vary depending on their business models and may even vary within firms depending on how the Board's overall fees are allocated internally. While the overall total of fees imposed by the Board on an individual firm may not change much from year to year, the mix of sources of fees does matter to some firms, and big swings in fee rates are not desirable.

We do not oppose a fee structure based on market activity as opposed to some other basis like headcount or revenue, nor do we believe that the general structure of market-based fees is unreasonable. However, we do believe that tighter collars around fee rate changes from year to year are warranted. For example, the 2024 fee rates the Board proposed and then withdrew changed substantially from the 2023 fee rates. The Underwriting Fee rate was proposed to increase by 25%, the maximum allowed under MSRB Rule A-13. The Trade Count fee rate would have fallen by 48%. This type of variance can and should be avoided. BDA recommends that instead of a maximum 25% increase in any market-based fee rate, the Board should consider a 10% threshold.

Fees for Municipal Advisors

MAs currently are taxed based on their numbers of registered professionals. The Board should consider an alternate basis for MA fees based on market activity such as volume of bond issuance on which the MA was engaged.

There is a fairness element to a market-based fee for MAs since that is the basis for dealer fees. Levels of market activity—volume of new issues on which the MA advised—could be made reportable by the MAs. We recognize that MAs sometimes do work for issuer clients that is unrelated to bond issues but still may be compensated from new issue bond proceeds. This does not make new issue advisory volume an inappropriate basis for MA fees since the fee would be based on advisory activity and not revenue.

On the issue of fee distribution across regulated entities, BDA believes that more attention is needed. For example, in its recent FY 2024 Annual Report, the Board reported that the MA headcount fee raised a total of \$3 million in 2024 while the three market-based dealer fees raised a total of \$45 million. MAs pay just 6% of the fees the MSRB collects from regulated entities. The Board has provided scant justification for why MAs pay so little. And despite their minimal contribution to MSRB resources, MAs are heavy users of MSRB trade reporting and data even though they do not provide data to those databases.

It is difficult to gauge what should be the appropriate portion of MSRB fees to impose on MAs because we lack necessary data. However, comparing fees earned by MAs from advising on new issues versus underwriting spreads earned by dealers is a possible starting point. Fee rates could be set such that the collective contribution of MAs approximately tracks the relation between what an underwriter typically earns from a new-issue transaction and what a MA earns on the transaction. However, unlike underwriting spreads, which are required to be publicly reported for each new-issue transaction, MA fees are not public. This opacity makes it difficult to determine whether the Board is charging MAs appropriately. The MSRB should consider collecting information from MAs on revenue derived from advising on new municipal securities issuance as a way to inform the question of the appropriate mix of underwriter and MA fees.

Reserves and the budget

We generally agree with the Board's reserve policy as expressed in the "MSRB Funding Policy" document. (<https://www.msrb.org/MSRB-Funding-Policy-0>) We believe target levels are appropriate and we agree with the method built into the Rate Card system for adjusting reserves—lowering fees and operating with a budgeted deficit when reserves are too high and raising fees when reserves are too low. Fee rebates can be cumbersome, especially trying to allocate underwriting fee rebates to syndicate members. We do not believe a rate stabilization fund is called for. That is simply holding additional reserves under another label. Instead, the MSRB should set fee rate change ceilings and floors to avoid big swings in rates while maintaining targeted reserve levels. In addition, there may be value in budgeting and fee-setting on a multi-year basis as a means of stabilizing fees.

With respect to the budget, we are pleased to see that for 2025 at least, year-over-year budget increases have become more sustainable—the increase in the Board's overall budget for FY2025 is just 3.0% higher than 2024 versus a 4.9% increase in 2024 and a 5.1% increase in 2023. We are also pleased

to see the formation of the MSRB's Technology Advisory Group (TAG). Technology expenses make up nearly 60% of the MSRB's budget. And while the market and finance experts who comprise the Board and make it so effective have a deep understanding of the market, some may not have a similarly deep knowledge of IT issues. The TAG hopefully will address this, and we ask that the MSRB also consider recruiting Board members with technology backgrounds.

Conclusion

The MSRB has made notable improvements in its budgeting, fee-setting, and financial management in general, i.e., its reserve targets are more reasonable, its year over year budget increases are more sustainable, and the Board has taken steps to improve transparency and stakeholder outreach. However, BDA recommends further improvements to reduce unpredictability. For example, the suspension of the Rate Card for 2024 means that the Board collected 17% more in revenue from the industry last year while expenses rose only 5%. Steps to reduce fee rate volatility from year to year should include tighter collars around fee rate changes. The Board also needs to take a more rigorous look at how fees are allocated between dealers and non-dealer MAs. Part of this should include a comparison of underwriting spreads and MA fees derived from advising on new issues. In that context, the Board should consider a MA fee based on advisory new-issue volume.

We appreciate the opportunity to comment. Please reach out if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Decker", written in a cursive style.

Michael Decker
Senior Vice President



January 21, 2025

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

Re: MSRB Notice 2024-14 - Request for Information on the MSRB's Rate Card Process

Dear Mr. Smith,

ICE Bonds Securities Corporation (CRD# 123635) ("**ICE Bonds**") appreciates the opportunity to respond to MSRB Notice 2024-14¹ issued by the Municipal Securities Rulemaking Board ("**MSRB**") soliciting input to the MSRB's rate setting process for its member firms. ICE Bonds appreciates that the MSRB has reached out to stakeholders in the development of its rate setting process, as we agree with earlier commenters that the existing process results in too much fee volatility and less predictability.²

By way of background, ICE Bonds is a broker-dealer registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934 ("**Exchange Act**"), is a member of Financial Industry Regulatory Authority ("**FINRA**") and the MSRB. ICE Bonds is the operator of two (2) alternative trading systems (ICE BondPoint and ICE TMC) for the trading of fixed income products, including corporate, municipal, and U.S. Treasury and agency securities. ICE Bonds offers market participants with electronic markets that support multiple fixed income trading protocols, including click-to-trade, request-for-quote, and auctions, including portfolio auctions.

From a broader industry perspective, we encourage the MSRB to adopt an approach similar to the manner by which the Financial Industry Regulatory Authority ("**FINRA**") determines fees for transactions in fixed income securities reported to TRACE. In our experience the FINRA per trade flat fee and fee per million par provides transparency, consistency of fees, and results in a more predictable rate schedule from year to year.

We also propose that the MSRB consider an alternative fee structure applicable to municipal dealer operators of alternative trading systems ("**ATS**"), recognizing that ATS' play a distinct role in the market. Below are considerations and a proposed framework for consideration.

A. Key Differences Between ATS and Traditional Dealers

For the following reasons, we believe the distinctions between a municipal dealer that only operates an ATS and does not take part in traditional municipal dealer activity (e.g. buying/selling bonds on behalf of investors, underwriting, etc.) warrants a different fee structure:

¹ See MSRB Regulatory Notice 2024-14 (Oct. 30, 2024) available at <https://www.msrb.org/sites/default/files/2024-10/MSRB-Notice-2024-14.pdf>.

² See Comment letters submitted related to the 2024 Rate Card Filing available at <https://www.sec.gov/comments/sr-msrb-202306/srmsrb202306.htm>.



1. **Role in the Market:** ATS' serve as electronic trading venues connecting buyers and sellers to facilitate trades between those investors, promote liquidity, and enhance transparency. Unlike traditional municipal dealers, ATS' do not engage in market-making, underwriting or principal risk-taking activity.
2. **Business Model:** Municipal dealer operators of ATS' generally derive their revenue by charging a transaction fee for transactions effected on their ATS. ATS operators are typically unable to offset costs through trading profits earned through underwriting, market making or principal trading, which leaves ATS' operators disproportionately affected by the MSRB's current fee structure.
3. **Data Availability:** Many ATS' are uniquely placed in the marketplace to assist the MSRB in identifying trends and changes in trading behavior. In many instances these ATS have been tapped to provide trade data outside of a regulatory based inquiry.

B. Challenges with the Current Fee Structure

Applying the same fee structure to municipal dealer operators of ATS' and for traditional municipal dealers disproportionately impacts the ATS operators. These impacts include:

1. **Increased Costs for End Users:** Higher fees for municipal dealer operators of ATS' are ultimately passed on to end users, discouraging participation in electronic trading, which has been instrumental in increasing market transparency and efficiency in the municipal markets.
2. **Impact on Smaller Trade Sizes:** Given the smaller trade sizes seen in municipal bond trading, current fee structures weigh heavily on ATS operators.³ This not only affects their ability to remain competitive but also discourages innovation.
3. **Reduced Adoption of Electronic Trading:** Higher costs may deter market participants from adopting electronic platforms, pushing them toward less transparent alternatives.

C. Proposed Alternative Fee Structures

To address these issues affecting ATS' operators and encourage broader adoption of electronic trading on ATS', ICE Bonds proposes the following:

1. **Flat Annual Fee** - Introduce a flat, predictable annual fee for municipal dealer operators of ATS'. A flat fee model would:
 - Simplify cost structures for this subset of municipal dealers, allowing them to focus on delivering value to the broader municipal market and its participants that trade municipal bonds electronically.
 - Encourage wider adoption of electronic trading by removing (or reducing) transaction-based cost barriers.
 - Reduce administrative complexity for this subset of municipal dealers and the MSRB.
2. **Volume Discount Fee**
 - For ATS' with higher transaction volumes, provide an option for a volume based sliding scale fee structure. This flexibility would ensure scalability for ATS' with a larger volume of municipal activity while preserving cost predictability for less active ATS'.

³ See MSRB *Characteristics of Municipal Securities Trading on Alternative Trading Systems and Broker's Broker Platforms* (August 2021) found at <https://www.msrb.org/sites/default/files/MSRB-Trading-on-Alternative-Trading-Systems.pdf> (accessed Dec. 17, 2024).



3. **Discounted Fee Structure**

- Apply a straight discount to fees applied to municipal dealer operators of ATS', as compared to traditional municipal dealers.
- This upfront reduction recognizes the unique intermediary role ATS' play, the absence of principal trading profits, and their positive impact on transparency.
- By lowering costs, this approach encourages broader adoption of electronic trading on ATS', facilitates greater participation in electronic trading, and ensures ATS' remain competitive in the evolving market landscape.

D. Benefits of a Tailored Fee Structure:

1. **Benefitting End Users:** Keeping ATS' costs manageable reduces the financial burden on end users, ensures electronic trading remains accessible and cost-effective.
2. **Supporting Market Transparency:** Encouraging electronic trading on ATS' strengthens transparency by bringing more trades onto regulated and transparent electronic platforms.
3. **Promoting Innovation:** A fair and sustainable fee model allows municipal dealer operators of ATS' to further invest in technologies that enhance market efficiency and competitiveness.

In closing, differentiating the fee structure for municipal dealer operators of ATS' will better align with their unique operational model and market contributions. ICE Bonds' urges the MSRB to consider implementing a flat fee or a hybrid fee structure to support the continued growth and adoption of electronic trading on ATS', ensuring they remain critical drivers of transparency and innovation in the financial markets.

ICE Bonds hopes these comments are constructive to the MSRB as it considers a new rate-setting process for brokers, dealers and municipal securities dealers and municipal advisors. To the extent the MSRB should have any questions relating to this letter please feel free to contact me at robert.laorno@ice.com, as we would appreciate the opportunity to speak with MSRB about this issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Laorno", with a stylized flourish at the end.

Robert Laorno
General Counsel, ICE Bonds Securities Corporation

cc: Peter Borstelmann, President, ICE Bonds Securities Corporation



January 28, 2025

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

Dear Mr. Smith:

RE: MSRB Notice 2024-10 – Request for Information on the MSRB’s Rate Card Process

The National Association of Municipal Advisors (NAMA) appreciates the opportunity to comment on the MSRB’s Request for Information on the Rate Card Process (RFI). NAMA represents independent municipal advisory firms and individual municipal advisors (MAs) from across the country and is dedicated to educating and representing its members on regulatory, industry and market issues.

We appreciate the opportunity to comment on the discussion items in the RFI. In responding to many of the concepts and questions, we reference the MSRB’s own statements from Notice 2022-23¹.

The Rate Card Process Remains the Appropriate Way for the MSRB to Assess Fees

The work that the Board completed in 2022 which led to the Rate Card being adopted, and the MSRB’s continued evaluations of the Rate Card in its 2023 and 2024 fee filings, reach conclusions that remain valid today with regard to MA fees.

NAMA continues to support the Rate Card Process and submitted a letter to the SEC supporting the Rate Card Process in 2022². Previous concerns – lack of information about the MSRB Funding Policy in 2022 (which was remedied), lack of budget information that determines whether fee increases are needed, and the need for the MSRB to develop other/greater revenues from other sources (e.g., data subscription fees) – have been the focus of our previous comment letters.

Over the past three years, there has been no “material shift in market structure or circumstances” to warrant a change in the MSRB’s approach to assess fees on regulated entities.³ In developing the Rate Card Process, the MSRB spent months deliberating and studying the matter. Page 36 of the 2022 filing stated:

The Board determined it was necessary and appropriate to conduct a comprehensive review of the MSRB’s overall fee structure to devise a methodology that reasonably and appropriately defrays the costs and expenses associated with operating and administering the Board, with a goal of arriving at a longer-term solution for MSRB’s revenue generation process that continues to ensure a sustainable financial position...

¹ <https://www.msrb.org/sites/default/files/pdf/MSRB-2022-06.pdf>

² <https://www.sec.gov/comments/sr-msrb-2022-06/srmsrb202206-20137789-308118.pdf>

³ MSRB 2022-23, footnote 68: *The Board will consider whether contribution targets should be revisited when setting rates each year. However, to maintain fairness and equity in fees, the Board intends contribution targets to be relatively stable over time, unless there is a durable, material shift in market structure or circumstances that would indicate that the expectations for the relative contributions from one or more fees are no longer reasonable or appropriate.*

It is additionally noted on page 12 of the 2022 Filing that:

Based on these factors considered, the Board found that the current fee structure – including the basis on which fees are assessed and the relative contribution of revenue from each of the current fees assessed on regulated entities – overall remains reasonable, fair, and equitable.

These conclusions should continue to be utilized by the MSRB.

The objectives of the Annual Rate Card also continue to be met as stated in the 2022 Filing, pages 67-68:

Adjustments to the Annual Rate Card will be used to revise the Rate Card Fees to annual levels that the MSRB anticipates will be sufficient to: (i) cover anticipated expenses for the related fiscal year; (ii) maintain target contribution balances between fees on regulated entities in line with recent historical precedents; (iii) address any prior-year variance between the amounts of each of the Rate Card Fees actually collected versus budget (i.e., “Rate Card Fee Variances”); and (iv) address any variance between the amount of the Board’s organizational reserves versus the Board’s target (i.e., “Reserves Variances”). Fee rates may increase year-to-year, subject to certain limitations discussed in additional detail below, or decrease from year-to-year, as needed to meet these objectives.

While we understand some of the volatility concerns that exist for various broker-dealer fees, the MSRB correctly concluded it is difficult to see any other way to assess fees on regulated entities that would be more appropriate than the current Rate Card or that would avoid the same problems of volatility in broker-dealer fees due to the reliance on market predictions.

Fairness Remains Intact with The Rate Card

The MSRB determined in its 2022 filing that the Annual Rate Card Amendments are equitable based on many factors and the MSRB’s own research. As noted on page 35 of the 2022 Filing:

The Annual Rate Card Process proposed by the Rate Card Amendments is intended to introduce a new fee structure that would (i) better mitigate the impact of market volatility on the MSRB’s revenue structure (and, consequently, also better mitigate the impact of market volatility on the MSRB’s organizational reserves), and (ii) maintain rates within a reasonably predictable range that, while subject to more incremental changes each year, would be comparably more stable over the long term than the MSRB’s current fee structure. Furthermore, the Annual Rate Card process applies equally to all those MSRB regulated entities who may pay dealer Market Activity Fees and/or the Municipal Advisor Professional Fees. Accordingly, the MSRB believes that the proposed Annual Rate Card Process would not have an impact on competition and, consequently, would not impose any burden on competition, relieve a burden on competition, nor promote competition. The MSRB therefore believes the Annual Rate Card Process would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

Also from page 35:

Moreover, the Board’s Rate Card Amendments apply equally to each MSRB regulated entity who may pay the Rate Card Fees and, thereby, equitably and non-discriminatorily distribute the fee burden across all MSRB regulated entities who participate in the municipal securities market.

The determinations from the 2022 Filing remain true today, and per the question in this Notice, “What methodologies are most appropriate for determining the fair and reasonable distribution of fees among regulated entities?” the conclusions that the MSRB made in 2022 continue to apply, and there are no material shifts in market structure or circumstances that would cause a change in distribution of fees.

To support this point, pages 35-36 of the 2022 Filing state:

In this way, no firm would be unduly burdened as compared to another firm. In particular, smaller municipal advisory firms would continue to pay less Municipal Advisor Professional Fees than larger municipal advisory firms, and, therefore, the Rate Card Fees proposed by the Rate Card Amendments are not unduly burdensome, comparatively, between small municipal advisory firms and large municipal advisory firms. Because the Rate Card Fees proposed by the Rate Card Amendments would equitably and non-discriminately distribute the fee burden across all MSRB regulated entities, the MSRB believes that the Rate Card Fees proposed by the Rate Card Amendments would not have an impact on competition and, consequently, would not impose any burden on competition, relieve a burden on competition, nor promote competition. Accordingly, the MSRB believes the Rate Card Fees proposed by the Rate Card Amendments would not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Exchange Act.

And on Page 36:

The Board determined it was necessary and appropriate to conduct a comprehensive review of the MSRB’s overall fee structure to devise a methodology that reasonably and appropriately defrays the costs and expenses associated with operating and administering the Board, with a goal of arriving at a longer-term solution for MSRB’s revenue generation process that continues to ensure a sustainable financial position. The current fee structure has a semipermanent fixed rate of assessment for each of the above categories. Under the proposed Annual Rate Card Process, categories of fees assessed for regulated entities would remain the same. However, the Board proposes using an annual rate-setting method to recalculate fee rates every year for each category based on factors described herein.

Also, on page 42:

The MSRB believes that the proposed Annual Rate Card Process would not have an impact on competition and, consequently, would not impose any burden on competition, relieve a burden on competition, nor promote competition.

Additionally, since per-MA fees were first assessed in 2014, MA fees have risen with every MSRB fee proposal. This represents a nearly four-fold increase over the years, from \$300 in 2014 to the 2024 proposal of \$1160. Additionally, the estimated percentage of MA fee contributions to overall fee revenues rose concomitantly from 3% in FY2017 to 10% in FY2021 (see page 105 of the 2022 Notice). When looking at the totality of policy matters and application of fees, MAs have consistently contributed fees that provide a steady, even increasing, revenue source for the MSRB.

Other Options for MA Fee Assessments Are Not Viable

The MSRB has asked two questions regarding whether other models or ways to assess fees on MAs should be considered.

Should the MSRB consider an alternative model other than the number of covered professionals or MA activities as discussed in #2? The MSRB conducted a great deal of work to determine the appropriate model to assess per-MA fees. As reference, the 2022 release states that:

After considering alternatives, the Board first determined that the Municipal Advisor Professional Fee and the current set of Market Activity Fees – i.e., Underwriting Fees, Transaction Fees, and Trade Count Fees – remain the most reasonable and practical mechanisms for assessing fees on regulated entities and so should not be replaced with alternative fee mechanisms. The Board came to this determination primarily because it continues to believe that the respective mechanisms for assessing the Municipal Advisor Professional Fee and the Market Activity Fees remain superior to potential alternatives – some of which may require establishing significantly more burdensome recordkeeping and reporting requirements to achieve comparatively greater precision in the alignment of the total amount of the fees assessed on a given firm with such firm’s total regulated activities; and, therefore, these fee mechanisms remain the best option among alternatives to ensure that the amount of the Municipal Advisor Professional Fees and Market Activity Fees paid by a given firm is both (i) appropriately balanced to the burdens and benefits of the MSRB’s regulatory and transparency activities, and also (ii) generally proportional to the differing resources devoted to the regulation of firms with different business models and differing degrees of complexity. These existing fee methods also have the advantage of being established mechanisms for assessing fees on regulated entities; and, in this regard, the Board believes that maintaining this current set of fee methods is more advantageous than other alternatives because firms already understand and have embedded such assessments into their business operations.

While the Board determined that the mechanisms for assessing the Municipal Advisor Professional Fee and the Market Activity Fees should not be replaced, the Board also determined it would be beneficial to refine its approach to review and amend these fee rates for each calendar year on an annual basis going forward. Specifically, to avoid the MSRB accumulating excess reserves through the collection of fee revenue above budgeted amounts over multiple fiscal years and then utilizing short-term fee reductions to return the excess revenues to the regulated entities who paid the fees, the Board is proposing to review and incrementally refine the rates of assessment for each of these fees each year. (pages 14-15)

Also, Page 40 of the Notice:

Additionally, the Board also considered a different way to apportion fees within each class of fee payer but decided that the proposed Annual Rate Card Process is the best way to achieve proportionate revenue based on the MSRB’s available information, i.e., underwriters pay based on their volume underwritten, trading firms pay based on their trading activities (in par value and trade count), and municipal advisory firms pay based on the headcount of a firm.

A fee assessment method based on a percentage of each municipal advisory firm’s revenue, for example, would not be feasible at this time as it could require establishing a significantly more burdensome recordkeeping and reporting requirement. The MSRB does not currently require municipal advisory firms to report such information under existing rules; and, more importantly, many municipal advisory firms would likely have business activities not solely related to municipal advisory services. In addition, it would increase the burden on municipal advisory firms as municipal advisory firms would have the responsibility to collect the relevant information to be used for MSRB’s fee assessment and also would then be required to report it. The MSRB believes at this time that the costs and burdens associated with collecting and reporting such information are not justified, and the Municipal Advisor Annual Professional Fee for each person associated with the firm who is qualified is a reasonable proxy for the size of relevant business activities conducted by each municipal advisory firm.

There have been no “material shifts in market structure or circumstances” that would call for the MSRB to abandon the per-MA fee concept and assessment that it implemented in 2022.

The MSRB also asks if it should consider basing fees on the variety of advice that MAs provide clients (transaction-related, ongoing or time-to-time advice for currently held or future financial products, solicitation activities)?

NAMA’s position is that the MSRB should not consider basing fees on the type of advice MAs provide clients, for numerous reasons. These include:

- MA Firms may provide services outside of MA activity to clients. The extensive variety of scope of services developed by the issuer and conducted by an MA firm (including both SEC defined MA activity and other business services) could not be separated to determine fees only on MA activity.
- MAs are paid in a variety of ways for the services they provide. Some clients may wish to pay for ongoing (MA and non-MA) services within the bond issuance, and some may only have the MA services specific to the transaction. Similar to the point above about services provided by MA firms, there are no uniform practices in how MAs are paid (and what they are paid for) for the MSRB to utilize that would be considered fair, reasonable and appropriate to determine MA fees in a transaction.
- Recently there have been significant discussions on the definition of MA activity. While the MA Rule may appear to be clear, in fact there is not a bright line definition of MA activity for which the MSRB would need to develop a fee on *“the variety of advice an MA provides clients”* and *“for ongoing or time-to-time advice for currently held or future financial products”* as asked in this RFI. For instance, SEC’s OMS Director Dave Sanchez has noted in various forums that MA activity is determined by what is stated in the client-MA scope of services/contract. This could create great confusion and inaccurate information being provided and used by the MSRB if one firm includes fees (if they can be determined) for a particular service as MA activity and another does not. It would also likely create significant challenges for the SEC in reviewing whether regulated MAs had been fully complying with their MSRB fee obligations.
- Unlike broker-dealers, MAs provide professional services to their client and are not engaged in the business activity of market trading. This is why the MSRB establishes fees as they do, because there is a direct correlation between regulated activity and fees, with a majority of activity and rules being centered around the selling and trading of municipal securities, and having a robust trading information infrastructure in place to ensure transparency for investor protections.

Changing MA Fees Could Harm Small MA Firms

A vast majority of, if not all MA firms are considered “small MA firms” based on the Small Business Administration definition referenced in the MA Rule⁴. The MSRB has a specific and special responsibility to not burden small MA firms with its regulations per *Securities Exchange Act*, 15B (b)(2)(L)(iv).

According to the MSRB’s database, approximately 72% of MA firms have 5 MAs or less. By steering away from a historical practice of application of fees on a per person basis, the MSRB would impose significant burdens on small firms that could also lead to MAs leaving the profession. The key reason for the existence and regulation of MAs is to protect issuers, which is also part of the MSRB’s mission. Any actions that work to deter MA firms from existing should be avoided by the MSRB.

⁴ page 67557 Final MA Rule, <https://www.govinfo.gov/content/pkg/FR-2013-11-12/pdf/2013-23524.pdf>

Conclusion

The MSRB's extensive rate card development process in 2022 established a trigger on how and when revisions might be necessary. There have been no material shifts in market structure or circumstances since that point that would cause the MSRB to deviate from the current rate card process – both for how fees are assessed, and the proportional application of fees on regulated entities.

We continue to support and agree with having a regulatory regime over MAs that is administered by the MSRB. We also agree that it is essential that Section 15B(b)(2)(C) of the Act continue to be strongly in place -

The MSRB must be adequately funded to undertake rulemaking, designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in municipal securities and municipal financial products, to remove impediments to and perfect the mechanism of a free and open market in municipal securities and municipal financial products, and, in general, to protect investors, municipal entities, obligated persons, and the public interest.

We understand the difficulty with finding a reasonable way to assess fees on MAs due to the significant variety of business models and practices used, and in basing broker-dealer fees on market projections. For MAs, the only common denominator between MA firms – the number of covered persons - remains the appropriate and fair way to assess fees on these professionals.

The variables used to determine the allocation of fees in 2022 reflect the realities and key differences between MAs and broker-dealers. MAs perform a variety of regulated and unregulated services to clients, and do not perform duties related to underwriting or trading of bonds, nor serve investors which are the main focus of the MSRB's rules and systems. Thus, the MSRB's allocation standards, as they exist, are fair and reasonable and should not be altered.

We would appreciate the opportunity to further discuss our comments with MSRB staff and Board members. Additionally, we look forward to vigorous and ongoing discussions with the MSRB and regulated entities about the rate card process or other proposals that will move forward prior to determining FY26 fees.

Thank you for the opportunity to comment on this important matter.

Sincerely,



Susan Gaffney
Executive Director

January 27, 2025

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

Dear Mr. Smith,

Public Resources Advisory Group, Inc. ("PRAG") appreciates the opportunity to provide feedback in regards to the MSRB's Request for Information on the MSRB's Rate Card Process. The Request for Information addresses a range of topics concerning both Dealers and Municipal Advisors. PRAG is an independent Municipal Advisor and will limit our comments to the issues contained in "B. Rate-Setting Process for Municipal Advisors" and "C. Fee Distribution Across Regulated Entities."

B. Rate-Setting Process for Municipal Advisors

PRAG believes that the current process of an annual assessment for each covered professional is fair, appropriate and reasonable. The current process minimizes record keeping requirements, ensures that all municipal advisors contribute to the costs of MSRB's operations, and results in a methodology in which larger firms pay a larger share of the overall fees.

The MSRB should not consider an activity-based fee structure for municipal advisors because of the broad range of services a municipal advisor provides and the variety of ways in which a municipal advisor is compensated for the services it provides. Such compensation may include retainers, hourly fees with and without caps, project-based fees and transactional based fees which could include minimums, maximums and graduated scales based on issue size. An activity-based fee structure would impose new and burdensome tracking requirements to identify specific activities provided and would also place a burden on regulators when evaluating compliance with the payment of fees. In addition, a municipal advisor may provide certain activities that do not result in an issuance of municipal securities.

We do not believe there is an alternative model to assess municipal advisors fee on any metric other than the number of covered professionals that would be as fair, appropriate, and sustainable. The benefits of the current fee structure include:

- Ease of determination for municipal advisors and regulators;
- Fairness in that all municipal advisors support the budget of the MSRB and larger firms contribute a greater percentage of the overall fee; and,
- Reduces the correlation between market activity and the fees paid to the MSRB, thereby reducing the volatility of the MSRB's revenues.



C. Fee Distribution Across Regulated Entities

The current practice of determining the amount of municipal advisor fees as a percentage of the MSRB's budget and allocating the municipal advisor portion based on the number of covered professionals is appropriate and results in a reasonable sharing of expenses between dealers and municipal advisors based on total revenues generated by dealers and municipal advisors from municipal securities activities. We understand that the MSRB spent a considerable amount of time on this issue when developing the Rate Card and we do not believe market conditions have changed in any way that would warrant a different methodology.

Thank you for the opportunity to provide this feedback as you evaluate the rate card process.

Best Regards,
PUBLIC RESOURCES ADVISORY GROUP, INC.

By: 
Thomas F. Huestis, Senior Managing Director



January 28, 2025

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

Re: MSRB Notice 2024-14: Request for Information on the MSRB's Rate Card Process

Dear Mr. Smith:

The Securities Industry and Financial Markets Association ("SIFMA")¹ appreciates the opportunity to provide input in response to the Request for Information ("RFI") issued by the Municipal Securities Rulemaking Board ("MSRB") regarding its Rate Card Process.² In this comment letter, SIFMA is providing recommendations about the general topic areas the MSRB included in its RFI as well as an appendix containing more detailed answers to the MSRB's list of questions for each topic.

Executive Summary

SIFMA appreciates the MSRB's recent increased outreach efforts to regulated entities and other stakeholders regarding the Rate Card Process. As discussed in further detail below, SIFMA recommends that the MSRB:

- continue to seek opportunities to provide transparency into its budget, as budget levels drive the Rate Card Process and fee levels;
- require municipal advisors to self-report fee and retainer information to the MSRB to level the regulatory playing field with broker-dealer reporting and enable the

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 one million employees, we advocate on 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). For more information, visit <http://www.sifma.org>.

² Terms not defined herein are as defined in MSRB Notice 2024-14, Request for Information on the MSRB's Rate Card Process, available at <https://www.msrb.org/sites/default/files/2024-10/MSRB-Notice-2024-14.pdf>

MSRB to make more informed decisions on proper balancing of regulatory fees between classes of regulated parties;

- assess fees on municipal advisors based on their actual market activity levels;
- lower the current percentage cap on year-over-year fee increases to achieve the MSRB's goals of more predictable and less volatile dealer fees; and
- spend down organizational reserves and maintain reserves at more reasonable levels.

Discussion

I. MSRB's Rate-Setting Processes

A. Continue Recent MSRB Efforts to Enhance Transparency Surrounding its Budget

As a starting point, SIFMA appreciates the MSRB's recent efforts to seek input from various stakeholders regarding the budget and fee setting process, including via stakeholder meetings and issuance of the RFI soliciting additional feedback. As stated in our prior comment letters, we urge the MSRB to provide the greatest degree of transparency possible in setting its annual budget and expenses, which directly impact the level of fees imposed on regulated entities. SIFMA notes that the MSRB's expense budget has continued to increase each year over the past couple of years. After a decrease of approximately 6% from 2020 to 2021, the MSRB's expenses increased by 1%, 13%, and 5% in each respective year from 2022 through 2024. Although expenses in general have risen across the board in recent years, this rate of budget growth—which, as further discussed below, is funded primarily by dealers—is not sustainable in the long run.³ To help the MSRB achieve its regulatory mission while maintaining fiscal discipline, it must continue to regularly provide regulated entities and stakeholders transparency regarding planned projects and budgeted expenses to socialize, explain, and justify the reasonableness of any budget or resultant fee increases.

B. Make Fee Distribution Across Regulated Entities More Equitable by Obtaining and Analyzing Municipal Advisor Fee and Retainer Information

In its RFI, the MSRB requests input on the fairness and reasonableness of the fixed-rate professional fee for municipal advisors, as well as how it can better inform its analysis regarding the MSRB's goal to maintain a fair and equitable balance of reasonable fees and charges among regulated entities.⁴ These two issues are inextricably linked, as the MSRB's approach to setting municipal advisor fee rates will dictate the total amount of revenue it collects from that group relative to dealers.

³ Overall, the MSRB's expenses increased 12% from 2020 through 2024 and 19% from 2021 through 2024. The MSRB's annual revenue increased 17% in 2024 and 22 percent overall from 2020 through 2024.

⁴ See RFI at 5-7.

To appropriately balance the fees between dealers and municipal advisors reasonably, fairly, and equitably, the MSRB should focus on the operational expenses required for it to regulate the activities of these market participants and allocate the fees it charges each group accordingly. Dealers pay the MSRB significantly more in fees than municipal advisors. According to the RFI, in 2023 dealers paid fees that accounted for 80% of the MSRB's revenues and municipal advisors paid fees that accounted for 6% of the MSRB's revenues. Specifically, the 538 dealers paid an average of approximately \$72,600 in fees (\$39.1 million total) and the 427 municipal advisor firms paid an average of approximately \$7,000 in fees (\$3 million total). Therefore, on average, dealers paid greater than ten times more than municipal advisors in fees in 2023. The MSRB must be able to explain the discrepancy between the fees assessed to dealers compared to municipal advisors to meet its goal of demonstrating that MSRB fees are fair, reasonable, and equitable.

The MSRB's current approach assesses municipal advisors an annual advisor professional fee based on the number of covered professionals at a particular firm, which is intended to serve as a proxy for the size of relevant business activities conducted by that municipal advisory firm. SIFMA does not agree that merely counting the number of municipal advisors accurately captures a firm's business activity or the cost to the MSRB of regulating that activity. Municipal advisors typically are compensated based on a percentage of the value of a transaction or through a retainer agreement and the number of municipal advisor professionals on a transaction is not proportional to the size of a transaction or retainer fees. Therefore, the number of registered professionals is a poor proxy for the size of a municipal advisory firm's municipal securities business activities.

In addition, two separate municipal advisor firms could have the same number of advisors but participate in a materially different number or total par value of municipal securities underwritings in a particular year. Similarly, a single firm could participate in a different number or total par value of offerings year-over-year, yet it would pay the same level of fees if its number of municipal advisors remains flat. These examples demonstrate that the MSRB's current approach neither accurately identifies municipal advisors' overall impact on the municipal securities market nor on the operational costs to the MSRB of regulating their activities. Accordingly, municipal advisor fees based on revenue tied to municipal securities activity would be more fair, reasonable, and equitable than reliance on the current headcount approach. It would also allow the MSRB to clearly identify the rationale for any differential in the allocation of fees among groups of regulated entities.

As SIFMA has stated in past correspondence regarding the MSRB's Rate Card Process, it is not possible to evaluate whether the level of fees paid by municipal advisors is reasonable, fair, or equitable without knowing their revenues generated from municipal securities business. To achieve its goal of equitably distributing fees across regulated entities, the MSRB should use similar methods to determine the appropriate fee for each type of regulated entity. For example, the underwriting fee assessed on dealers is based on the par values of transactions underwritten. The MSRB should take the same approach to setting fees on municipal advisors that participate in transactions. The MSRB already has this information from Form G-32,

which sets forth each transaction in which municipal advisors participated and the par value of the transaction.

Dealers are also required to disclose their underwriting discount for each transaction in the related official statement offering document. These disclosures allow the MSRB to compute dealer underwriting fees per bond. In addition, dealer activity in secondary market trades is readily ascertainable via dealer trade reports and existing systems at the MSRB. Dealers are also required to disclose their markup or markdown on retail customer confirmations.⁵

The same level of transparency is not available to the MSRB for municipal advisors. The MSRB should adopt a rule requiring municipal advisors to report to the MSRB municipal securities revenue, including but not limited to transaction fees, annual fees, or retainer fees received from issuers or obligors. The MSRB could adopt an approach for municipal advisor reporting similar to the FOCUS reports FINRA-member dealers are required to report. The MSRB should require municipal advisors to submit to the MSRB similar financial information. Moreover, that municipal advisors engage in businesses unrelated to municipal advisory services does not render an assessment method based on revenue unworkable, or even burdensome, because the fees could solely be based on revenues related to municipal advisory activities, which municipal advisors undoubtedly already track. The MSRB, and the public, cannot truly assess the fairness and equity of the MSRB's fee structure unless municipal advisors are required to disclose revenue information generated from the municipal securities aspects of their businesses.

The MSRB should allocate fees between dealers and municipal advisors based on the MSRB's costs of regulating each category of registrants. First, most of the MSRB's rules cover both groups of regulated entities, so the MSRB's cost of rulemaking is now similar for dealers and municipal advisors.⁶ Second, all regulated entities (as well as non-regulated entities) benefit from the information made publicly available through EMMA that is created and reported by broker-dealers. SIFMA's members have spent and continue to spend significant time and resources collecting and reporting valuable new issue, short-term rate reset, and trade reporting information to the MSRB. Ideally, all beneficiaries of this data would contribute their fair share to the costs of creating and servicing this data. It seems counterintuitive that the regulated group that bears the greatest financial burdens in collecting and reporting its valuable transparency information to the MSRB also bears the brunt of fees related to the MSRB collecting and disseminating this information, which is a benefit to all

⁵ The markup or markdown on a particular secondary market trade does not necessarily equate to the dealer's fee on that transaction.

⁶ For example, the MSRB's website allows for the sorting of its rulebook by particular groups under the "Information For" tab. The groups available for filtering include dealers, the general public, issuers, and municipal advisors. When this feature is filtered by municipal advisors, there is a list of 15 of the 48 MSRB General Rules (G-1, G-2, G-3, G-5, G-8, G-9, G-10, G-17, G-20, G-34, G-37, G-40, G-42, G-44, and G-46), six of the 16 MSRB Administrative Rules (A-3, A-7, A-8, A-11, A-16, A-18), and three of the 15 MSRB Definitional Rules (D-11, D-13, and D-14).

stakeholders. We ask that the MSRB acknowledge that municipal advisors receive and use valuable dealer transparency data, and increase fees allocated to municipal advisors accordingly so that this group of municipal market participants pays its fair share to partially cover the MSRB's costs to service and maintain its transparency systems.

Leveling the regulatory playing field and not giving preferences to particular business models is important. We urge the MSRB to consider a truly fair and equitable balance of fees among regulated entities, taking into account the revenue earned from each regulated business line, which more accurately identifies the MSRB's costs to regulate those activities. To do this, the MSRB should require municipal advisors to self-report their municipal securities-related revenues. While SIFMA understands that changing the fee methodology may be seen as burdensome in the short term for registered municipal advisors, it would lay the groundwork for a fairer and more balanced long-term fee model and be no more burdensome than the regulatory reporting required of registered dealers.

C. Decrease Volatility in Dealer Fees

The MSRB currently caps at 25% the maximum amount of any allowable year-over-year increase to a Rate Card Fee. As SIFMA has stated in the past, an increase of 25% (or potentially more, because the cap is not binding) is inherently unstable and unpredictable. This approach is directly at odds with the MSRB's stated purpose of achieving fee predictability through its Rate Card Process. A more reasonable maximum cap on Assessment Rate increases would be no more than 15%, barring unforeseen situations such as if the MSRB's reserve levels are below a reasonable target. Regardless, if the MSRB is in a position where it needs to increase its overall targeted revenue for the Rate Card Fee by more than 10%, or any of the Assessment Rates by more than 15%, the MSRB should use its reserves to offset such increases (assuming operational reserves are at reasonable target levels).⁷ To demonstrate its commitment to fee predictability, the MSRB should include this approach in its rules. Amending MSRB rules to require use of operational reserves prior to significantly raising Assessment Rates (by 15% or more) would discourage such rate increases unless there was a substantial need, further incentivize fiscal discipline, and allow the MSRB to spend down reserves to more reasonable levels. SIFMA assumes that fee increases not tied to market activity would occur only if there was a dramatic and unexpected downturn in new issue and secondary market activity in the municipal securities market, and if so, the MSRB should only increase fees as minimally as possible. Industry members will be skeptical of attempts by the MSRB to dramatically increase fees in market downturns and the MSRB's rules should reflect its commitment to take all reasonable efforts to avoid any such dramatic fee increases.

With respect to setting rates for dealers, the MSRB should consider using actual trailing 12-month average market activity levels instead of projecting anticipated market activity levels using 3-year, 5-year, and 10-year historical average levels. Replacing market activity projections with the actual level of trailing 12-month average market activity would eliminate

⁷ As discussed below, SIFMA believes a reasonable target for the MSRB's reserve level is six months of operating expenses.

the need to reconcile differences between projections and actual market activity levels, which would significantly reduce fee volatility year-over-year. This approach also would more accurately tailor fee rates by tying them to broker-dealers' recent market activity levels.

For the same reasons discussed above with respect to municipal advisor fees, SIFMA members do not support a flat or single fee for dealers as we believe it would not be more fair or reasonable than tying dealer fees to their level of market activity.

II. Reduce MSRB's Organizational Reserves

The MSRB has acknowledged that it has maintained excessive reserves for years, and those reserves largely have been funded by fees on the broker-dealer community. SIFMA urges the MSRB to significantly reduce its organizational reserve levels. The MSRB sets its reserve level target annually as part of its budget process and SIFMA believes the current target remains unnecessarily high, which is unfair for dealers that continue to pay the vast majority of fees to support the MSRB's budget.⁸ Given that the MSRB is a regulator with the ability to charge and collect mandatory regulatory fees, which ensures access to annual revenues sufficient to fund its core regulatory obligations, the MSRB's reserve level target should not exceed six months of operating expenses.⁹ SIFMA believes the Annual Rate Card fees should be reduced to reflect such a goal, recognizing that predictable and incremental fee changes are preferable to rebates, credits, and fee holidays.

SIFMA members would support fee reductions in the following fiscal year in the event revenue generated from actual market activity is greater than projected revenue. However, as discussed above, SIFMA believes such fee reductions would be unnecessary if rates were based on trailing 12-month average market activity levels instead of projections modeled from historical activity. Furthermore, with respect to the prospect of a multi-year rate card model, SIFMA members would not necessarily oppose that approach, as long as there would be an adjustment mechanism in the Rate Card, or a new Rate Card, if necessary, if the MSRB's reserves rose past a specified excessive level. For example, if the MSRB instituted a Rate Card that established fees for three years, and the MSRB's revenue was higher than expected in the first two years, such that MSRB generated reserves of one year of operational reserves, the MSRB would be required to reset fees pursuant to the Rate Card prior to the expiration of the three years.

* * *

⁸ The MSRB's 2024 Annual Report, published on January 21, 2025, shows that the MSRB's reserves increased from \$42,970,578 in 2023 to \$48,443,979 in 2024, an increase of 12.7% (the MSRB's reserves consist of two categories: (1) Cash and Cash Equivalents, and (2) Investments). See p. 35.

⁹ Therefore, based on the approximately \$49 million in total operating expenses listed in the 2024 Annual Report for the year ended September 30, 2024, SIFMA recommends that the MSRB seek to reduce its organizational reserves by more than half, to around \$24.5 million.

III. Conclusion

SIFMA appreciates the opportunity to comment on the RFI regarding the MSRB's Rate Card Process, as well as the thoughtful approach the MSRB is taking to solicit input from stakeholders on the process. As discussed above and in the attached appendix, SIFMA continues to believe the MSRB's funding model can be improved. We look forward to continued engagement with the MSRB as it reviews input received in response to the RFI and seeks to develop the Rate Card Process for calendar year 2026. Please do not hesitate to contact Leslie Norwood with any questions by phone at (212) 313-1130, or by email at lnorwood@sifma.org or Gerald O'Hara by phone at (202) 962-7343, or by email at gohara@sifma.org.

Sincerely,



Leslie M. Norwood
Managing Director and Associate General
Counsel



Gerald O'Hara
Vice President and Assistant General
Counsel

cc: Ernesto Lanza, Chief Regulatory and Policy Officer
Omer Ahmed, Chief Financial Officer
Billy Otto, Assistant Director, Market Regulation

Appendix

A. Rate-Setting Process for Dealers

Market Projections

- 1. Are there reasonable tolerances or limits for year-to-year fee fluctuations? What is a reasonable basis for determining such limits? If thresholds or limits are established, should they be the same for both fee increases and fee decreases?***

The 25% increase cap should be reduced to 15%, and a similar limit on decreases in any fee category should be instituted to reduce overall fee volatility.

- 2. What types or sources of data should the MSRB consider when determining projections for market activity levels on which to base the fee rates? Should the Rate Card Process rely solely on historical market activity averages (e.g., 3-year; 5-year; 10-year averages) to project future market activity?***

Instead of using 3-year, 5-year, and 10-year historical averages to create projections of future market activity levels, the MSRB should charge fees based on average market activity levels during the immediately preceding 12 months. This would tailor fee rates to actual market activity levels and reduce fee volatility by eliminating the speculation involved in projecting out anticipated market activity levels as well as the need to reconcile fees based on inaccurate projections.

- 3. How should differences between projected and actual market activity levels be reconciled, if at all, through the fee-setting process?***

As discussed, using the 12-month trailing average of actual market activity levels would eliminate the need to reconcile projected and actual market activity levels.

Market Activity Fees

- 1. What is a reasonable basis for determining each fee's relative share of the total revenue collected from market activity fees? Are there additional or alternative market activities that currently are not subject to assessment that would be appropriate as a basis for determining more fair and equitable fees? What data should the MSRB consider when determining the appropriate allocation of total revenue to collect from each of the market activity fees?***

The MSRB should analyze average market activity in the preceding 12 months to assist in determining each fee's relative share of the total revenue collected from market activity fees going forward.

2. ***To reduce fee volatility, should the MSRB consider using an alternative model to assess fees that are not tied to market activity (e.g., fixed fees)? If so, what is a reasonable basis for determining what portion of MSRB fees should be assessed using an alternative model?***

Only a small portion of MSRB fees should be assessed on headcount. The MSRB should assess fees based on the cost to regulate each group of market participants. The fairness of the MSRB's fee model should be tested against a determination of market participant fees relative to their business activity. We believe market activity fees should be based on the actual level of market activity during the preceding 12 months.

3. ***Would a flat or single fee for dealers be fairer and more equitable than distinct market activity fees? If so, what would be a reasonable basis on which to base and determine a flat or single firm fee?***

A flat fee for dealers would not be more fair or equitable than distinct market activity fees. SIFMA believes it is important to consider business activity levels for each group of regulated entities.

B. *Rate-Setting Process for Municipal Advisors*

1. ***Municipal advisors are currently subject to an annual assessment for each of their covered professionals. Is this fee structure fair, appropriate, and sustainable?***

As stated above, SIFMA does not feel that merely assessing fees on municipal advisors based on the number of their covered professionals is fair, appropriate, or sustainable. The MSRB should assess fees based on the cost to regulate each group of market participants. The fairness of the MSRB's fee model should be tested against a determination of market participant fees relative to their business activity.

2. ***Municipal advisors may provide advice in different contexts such as transaction-related advice on a new issuance of municipal securities or a transaction in a municipal financial product, or advice from time-to-time or on an on-going basis relating to existing or anticipated issuances of municipal securities or municipal financial products currently held by a client.***

Municipal advisors also may engage in paid solicitation activities. Should the MSRB consider assessing fees based on some or all of these activities? If so, what would be a reasonable basis for measuring activities in each of these areas so as to produce a fair and appropriate fee obligation?

MSRB should take all municipal advisor business activity into consideration when determining the fairness, appropriateness, and sustainability of their fees. The MSRB could adopt an approach for municipal advisor reporting similar to the FOCUS reports FINRA member dealers are required to report. The MSRB should require municipal advisors to submit to the MSRB similar financial information. Moreover, that municipal advisors engage in businesses unrelated to municipal advisory services does not render an assessment method based on revenue unworkable, or even burdensome, because the fees could solely be based on revenues related to municipal advisory activities, which municipal advisors already track.

3. ***Should the MSRB consider using an alternative model to assess municipal advisor fees based on metrics other than the number of covered professionals or the municipal advisor activities described in Question B.2 above? If so, what would be a reasonable basis for determining fees under such an alternative model?***

Yes. The MSRB should assess fees based on the cost to regulate each group of market participants. The fairness of the MSRB's fee model should be tested against a determination of market participant fees relative to their business activity.

C. Fee Distribution Across Regulated Entities

1. ***What methodologies are most appropriate for determining the fair and reasonable distribution of fees among regulated entities? In describing an alternative methodology, please include consideration of the practical implications of establishing and maintaining such a methodology.***

The MSRB should distribute fees among regulated entities based on the cost of regulating each type of entity. The fairness of this model can be analyzed by examining fee data per market activity for each type of entity.

2. ***What, if any, other regulatory burdens or unintended consequences could be anticipated from a change in the relative share of fees between municipal advisors and dealers?***

Although requiring municipal advisors to report business activity levels and fees to the MSRB would add a burden, SIFMA feels that this requirement would be no more burdensome than those historically borne by broker-dealers.

D. Management of Organizational Reserves

1. ***In lieu of annual adjustments to fees, should the MSRB consider alternative methods to return surplus revenue to regulated entities arising from differences between the revenue generated from projected versus actual market activity (e.g., temporary fee reductions; cash rebates; fee credits)?***

No. Rebates, credits, and temporary fee reductions are unnecessarily confusing and operationally burdensome on the dealer community. Adopting fee levels based on 12-month trailing averages of market activity should eliminate or mitigate this issue.

2. ***Please comment on the value of establishing a multi-year rate card model to provide stability in fees over a longer period in time while using organizational reserves to address any revenue shortfalls. Please discuss any alternative methods or models the MSRB should consider for providing stable and consistent fees while managing its reserves to target levels.***

SIFMA is neutral on the length of each fee-setting cycle, although a rate card which resets fees annually may be more responsive to changing market conditions over a multi-year rate card model. Again, utilizing fee levels based on 12-month trailing averages of market activity should help to address this issue. In addition, we urge the MSRB to create more reasonable targets for its reserve levels and use organizational reserves, which currently are excessive, wherever possible to fund its regulatory mission.

3. ***Please comment on the value of establishing a “rate stabilization fund” within the MSRB’s organizational reserves dedicated to stabilizing fees. Using 5-year historical market activity averages, a 1% increase in each of the three market activity fees would equate to approximately \$0.4 million annually. What would be an appropriate size for such a rate stabilization fund? Would this be a reasonable approach to mitigating fee volatility while avoiding excess reserves?***

SIFMA sees no reason for establishing a segregated “rate stabilization fund.” We see this as merely another rationale to maintain excess reserves. As discussed above, we believe the MSRB should spend down its current reserves and set a more reasonable reserve target of six months of operating expenses going forward.