

**AN OVERVIEW OF THE REGULATION
OF THE BOND MARKETS**

U.S. SENATE COMMITTEE ON
BANKING, HOUSING, AND URBAN AFFAIRS

JUNE 17, 2004

Testimony of the
MUNICIPAL SECURITIES RULEMAKING BOARD
Christopher A. Taylor
Executive Director

**Testimony of Christopher A. Taylor
Executive Director of the Municipal Securities Rulemaking Board**

Before the

**U.S. Senate Committee on
Banking, Housing, and Urban Affairs**

June 17, 2004

Chairman Shelby, Ranking Member Sarbanes and Members of the Committee:

As Executive Director of the Municipal Securities Rulemaking Board, I appreciate the opportunity to testify before the Committee concerning the municipal securities market and the MSRB's role in this market.

INTRODUCTION AND SUMMARY

On June 9, 2004, Chairman Shelby requested that the Municipal Securities Rulemaking Board ("MSRB" or "Board") prepare testimony before the Committee addressing current issues concerning the municipal securities market, including market structure, regulatory framework, trade reporting, price transparency and related matters. This testimony has been prepared in response to that request. Part I provides a summary of the Board's structure, authority and rules. Part II provides background on the municipal securities market. Part III is a discussion of the MSRB's regulatory priorities and goals.

I. BACKGROUND ON THE MSRB’S STRUCTURE, AUTHORITY AND RULES

A. MSRB Structure

The MSRB is a self-regulatory organization (“SRO”) established by Congress in the Securities Acts Amendments of 1975 to write rules with respect to transactions in municipal securities effected by brokers, dealers and municipal securities dealers (collectively “dealers”). The MSRB stands as a unique SRO for a variety of reasons. The MSRB was the first specifically established by Congress. Also unique is the fact that the legislation, now codified in section 15B of the Securities Exchange Act (“Exchange Act”), dictates that the Board shall be composed of members who are equally divided among public members (individuals not associated with any dealer), individuals who are associated with and representative of banks that deal in municipal securities (“bank dealers”), and individuals who are associated with and representative of securities firms.¹ At least one public member serving on the Board must represent investors and at least one must represent issuers of municipal securities. Further, the MSRB was created as a product-specific regulator, unlike most other securities regulatory bodies.

Members of the Board meet periodically throughout the year to make policy decisions, approve rulemaking and review developments in the municipal securities market. Day-to-day operations of the MSRB are handled by a full-time professional staff. The operations of the

¹ Under Board Rule A-3, the Board is composed of 15 membership positions, with five positions each for public, bank dealer and securities firm members.

Board are funded through assessments made on dealers for initial fees, annual fees, fees for underwritings and transaction fees.²

B. MSRB Authority

The substantive areas of the Board's rulemaking authority are described in Section 15B(b)(2) of the Exchange Act, which lists several specific purposes to be accomplished by Board rulemaking with respect to the municipal securities activities of dealers and provides a broad directive for 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 and processing information with respect to and facilitating transactions in municipal securities, to remove impediments to and perfect the mechanism of a free and open market and, in general, to protect investors and the public interest.

Like other SROs, the Board must file its proposed rule changes with the Securities and Exchange Commission ("SEC") for approval prior to effectiveness.

Although the Board was created to write rules that govern dealers' conduct in the municipal securities market, the Exchange Act directs that inspection of dealers for compliance with, and the enforcement of, Board rules be carried out by other agencies. For securities firms, the NASD, along with the SEC, perform these functions. For bank dealers, the appropriate

² These fees are set forth in Board Rules A-12 through A-14.

federal banking authorities, in coordination with the SEC, have this responsibility.³ The use of existing enforcement authorities for inspection and enforcement of Board rules provides for an efficient use of resources. The Board works cooperatively with these enforcement agencies and maintains frequent communication to ensure both that: (1) the Board's rules and priorities are known to examining officials; and (2) general trends and developments in the market discovered by field personnel are made known to the Board.

While Section 15B of the Exchange Act provides the Board with broad authority to write rules governing the activities of dealers in the municipal securities market, it does not provide the Board with authority to write rules governing the activities of other participants in the municipal finance market such as issuers and their agents (*e.g.*, independent financial advisors, trustees, etc.). Municipal securities also are exempt from the registration and prospectus delivery requirements of the Securities Act of 1933 and are exempt from the registration and reporting requirements of the Exchange Act.

In adopting Section 15B of the Exchange Act, Congress provided in subsection (d) specific provisions that restrict the Board and the SEC from regulating the disclosure practices of issuers in certain ways. Paragraph (1) of subsection (d) prohibits the Board (and the SEC) from writing rules that directly or indirectly (*i.e.*, through dealer regulation) impose a presale-filing requirement for issues of municipal securities. Paragraph (2) of subsection (d) prohibits the Board (but not the SEC) from adopting rules that directly or indirectly require issuers to produce documents or information for delivery to purchasers or to the Board. Paragraph (2), however,

³ These federal banking authorities consist of the Federal Deposit Insurance Corporation, the U.S. Treasury Department's Office of the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System, depending upon the specific bank dealer.

specifically allows the Board to adopt requirements relating to such disclosure documents or information as might be available from “a source other than such issuer.” The provisions of subsection (d) commonly are known as the “Tower Amendment.”

C. MSRB Rules Overview

The Board has adopted a substantial body of rules that regulate dealer conduct in the municipal securities market. These rules address all of the subjects enumerated in Section 15B of the Exchange Act by Congress for Board action, including recordkeeping, clearance and settlement, the establishment of separately identifiable departments within bank dealers, quotations, professional qualifications of persons in the industry and arbitration of disputes.⁴ The Board also adopted a number of rules in furtherance of the broad purposes of ensuring the protection of investors and the public interest. Among the most important of these are the Board’s three primary customer protection measures—Rule G-17, on fair dealing, Rule G-19, on suitability, and Rule G-30, on fair pricing. These rules require dealers to observe the highest professional standards in their activities and relationships with customers.

Maintaining municipal market integrity is an exceptionally high priority for the Board as it seeks to foster a fair and efficient municipal securities market through dealer regulation. The Board engages in an on-going process of reviewing its rules and market practices to ensure that

⁴ The Board’s arbitration program was established in 1978. Because of the small number of cases filed with the Board and the agreement of NASD to handle arbitration cases relating to municipal securities transactions brought by customers involving bank dealers as well as existing NASD dealer members, the Board discontinued its arbitration program in 1998.

the Board's overriding goal of protecting investors and maintaining market integrity is not compromised by emerging practices.

The MSRB adopted Rule G-37 on political contributions in an effort to remove the real or perceived conflict of interest created when issuers receive political contributions from dealers and then award municipal securities business to such dealers in a practice that came to be known as "pay-to-play." In general, Rule G-37 prohibits dealers from engaging in municipal securities business with issuers if certain political contributions have been made to officials of such issuers; prohibits dealers and municipal finance professionals ("MFPs") from soliciting or bundling contributions for officials of issuers with which the dealer engages in business; and requires dealers to disclose certain political contributions to allow public scrutiny of political contributions and the municipal securities business of a dealer. The rule also requires dealers to disclose certain contributions to state and local political parties to ensure that such contributions do not represent attempts to make indirect contributions to issuer officials in contravention of Rule G-37.

Further, the MSRB adopted Rule G-38 relating to the use by dealers of consultants to solicit municipal securities business from issuers on the dealers' behalf. This rule is intended to deter and detect attempts by dealers to avoid the limitations placed on dealers by Rule G-37 through their consultants, as well as to require full disclosure to issuers and the public of relationships which could otherwise pose potential conflicts-of-interests or could result in potentially improper conduct by consultants. The rule currently requires dealers who use consultants to disclose to issuers information on consulting arrangements relating to such issuer,

and to submit to the Board quarterly reports of all consultants used by the dealer, amounts paid to such consultants, and certain political contribution information from the consultant.

The impact of Rules G-37 and G-38 has been very positive. The rules have gone a long way towards severing the real or perceived connection between political contributions and the awarding of municipal securities business to dealers.

In its role as regulator for dealer conduct, the Board also operates data facilities to help ensure that dealers can comply with MSRB rules by improving the flow of information in the market about municipal issues, and to ensure that the inspection and enforcement agencies have the necessary tools to do their work. The Municipal Securities Information Library (“MSIL”) system collects primary market disclosure documents from underwriters and makes them available to the market and the general public. The MSIL system also accepts and disseminates certain secondary market information provided by municipal issuers and trustees.

The MSRB’s transaction reporting program for municipal securities serves the dual role of providing transaction price transparency to the marketplace, as well as supporting market surveillance by the enforcement agencies.⁵ The market surveillance function of the MSRB’s transaction reporting system provides the enforcement agencies with a powerful tool in enforcing the Board’s fair pricing rules. In recent years, the MSRB has introduced increasing levels of transparency into the market in measured steps. This process is about to reach its ultimate goal in January 2005 with the implementation of the final phase of the transparency program, which

⁵ Surveillance data is made available to regulators with authority to enforce MSRB rules, including the NASD and the SEC.

will result in 15-minute reporting by dealers of their sales to and purchases from customers and other dealers and the real-time dissemination of transaction information to the marketplace.

II. BACKGROUND ON THE MUNICIPAL SECURITIES MARKET

A. Market Overview

When Section 15B of the Exchange Act was adopted in 1975, yearly issuance of municipal securities was approximately \$58 billion.⁶ Much of this total represented general obligation debt, which reflected the simple, unconditional promise of a state or local government unit to pay to the investor a specific rate of interest for a specific period of time. The investors in these bonds tended to be commercial banks and property/casualty insurers interested in tax-exempt interest.

The municipal securities market has grown into a much larger and more complex market. Total municipal debt outstanding through the first quarter of 2004 is approximately \$1.9 trillion, or approximately 8.6% of the outstanding U.S. debt market.⁷ Last year, a total of 14,973 long-term municipal securities issues were issued for a total par value of \$384.0 billion of long-term bonds, a record figure. Approximately 49.5% of the par amount of municipal bonds issued in 2003 carried municipal bond insurance, which translates to 44% of the overall number of issues.⁸

⁶ See *The Bond Buyer/Thomson Financial 2004 Yearbook* at 10. Approximately half of this figure represents short-term debt maturing in less than 13 months.

⁷ See *The Bond Market Association Research Quarterly* (May 2004).

⁸ See *The Bond Buyer/Thomson Financial 2004 Yearbook* at 2-5.

In the United States, there are approximately 80,000 state and local governments, about 50,000 of which have issued municipal securities. The market is unique among the world's major capital markets because the number of issuers is so large—no other direct capital market encompasses so many borrowers. The issues range from multi-billion dollar financings of large state and city governments to issues less than \$100,000 in size, issued by localities, school districts, fire districts and various other issuing authorities. The purposes for which these securities are issued include not only financing for basic government functions, but also a variety of public needs such as transportation, utilities, health care, higher education and housing as well as some essentially private functions to enhance industrial development. In the last two decades debt issuance has become an important management tool for many municipalities, allowing flexibility in arranging finances and meeting annual budget considerations. The terms and features of municipal securities have evolved over time to meet a multitude of issuer borrowing and investment needs.

Issuers' budgetary and risk management needs have also lead to derivative transactions, especially swaps, becoming an increasingly common aspect of municipal finance. These derivative transactions are not transactions in municipal securities, and the MSRB does not have the authority to regulate dealer conduct in connection with derivative transactions. In addition, many non-regulated entities effect derivative transactions with municipal issuers, or advise municipal issuers with respect to these transactions.⁹

⁹ The Commodity Futures Modernization Act of 2000 clarified the status of OTC derivatives and hybrid instruments under U.S. commodities and securities laws. Among other things, it provides that swap agreements are not securities under the federal securities laws. Swap agreements that are based on securities prices, yields or volatilities (continued . . .)

The municipal securities market has a significant retail orientation, with approximately 35 percent of municipal debt held by households.¹⁰ There is great diversity in the types of municipal securities that are issued today. Tax-exempt municipal securities are popular investments that offer a wide range of benefits, including income free from federal and, in some cases, state and local taxes; relative safety with regard to payment of interest and repayment of principal; and a wide range of choices to fit an investor's objectives with regard to credit quality, maturity, choice of issuer, type of bond, and geographical location.

There are over 2,400 dealers registered with the MSRB to engage in municipal securities activities. These dealers range from large, securities firms with nationwide presence to small local shops. Approximately 500 to 600 of these dealers underwrite new issues.

B. Trading in Municipal Securities

Municipal securities are bought and sold in the over-the-counter market rather than on an organized exchange. Unlike the experience in the over-the-counter market for equity securities, there has been no evolution of firm, two-sided quotations or a formal market maker structure. In fact, a primary characteristic of the municipal securities market is the lack of any core group of issues that trade frequently and consistently over sustained periods of time. One reason for this is the "buy and hold" philosophy of most municipal securities investors. Another reason is that,

(. . . continued)

are, however, subject to specific anti-fraud, anti-manipulation and anti-insider trading provisions of the federal securities laws as if they were securities. Neither the SEC nor the MSRB may, however, impose reporting or record keeping requirements or other prophylactic measures against fraud, manipulation or insider trading with respect to securities-based swap agreements.

¹⁰ See The Bond Buyer/Thomson Financial 2004 Yearbook at 84.

for most issues, there is a very small or non-existent “float” of securities available to be the subject of trading. Making a market in a conventional sense is difficult, if not impossible, for these issues. In addition, the tax treatment of borrowing tax-exempt securities effectively prevents the “shorting” of an issue. The inability to manage risk in this fashion is a disincentive for making markets even in those issues where “float” might be available.

Another distinction between the municipal securities and the equity markets relates to the frequency of trading. In exchange-listed and NASDAQ markets, the continuous daily pattern of frequent trades in most stocks means that “last sale” transaction prices generally provide reliable information on market values for most stocks. However, even when the MSRB reaches its ultimate goal of disseminating comprehensive and contemporaneous pricing data,¹¹ “last sale” prices generally will not provide reliable indicators of market value for most municipal securities. One reason for this is that, even on the heaviest trading days, less than one percent of all outstanding municipal issues trade at all and most of those issues trade only once or twice during the day. Furthermore, MSRB transaction reporting data suggests that only about one-third of the total issues outstanding during a given year are traded even once at any time during that year.

¹¹ As discussed above, the MSRB will begin disseminating real-time price transparency for municipal securities in 2005.

III. REGULATORY PRIORITIES AND GOALS

A. Long-Range Plan

The Board continues to review and refine its rules in light of new products, changes in marketing practices and other developments. Apart from this fine-tuning process, the Board also has taken a broader look at more basic changes in the market and has formed long-range regulatory priorities and goals.

The Board has established under its long-range plan the goal of fostering and promoting a fair and efficient municipal capital market. To help reach this goal, the Board seeks to exercise market leadership through promoting education and responsible behavior among all participants; providing mechanisms for information flows; having simple, cost effective rules; and adapting to changes in conditions. Recently the Board has taken a number of major actions to further its goal through these priorities and objectives.

B. Promoting Education and Responsible Behavior Among All Participants— Outreach

One of the significant challenges that the MSRB faces in working to foster and promote a fair and efficient capital market is that the MSRB only regulates one participant in the market, the dealers. Therefore, the MSRB recognizes that it cannot regulate away all problematic market practices and inefficiencies. To address this complexity, the MSRB has been very aggressive in the past few years in an outreach program designed to promote education and responsible behavior among all market participants.

The MSRB's outreach program has focused on bringing market participants together to develop common understanding and voluntary solutions to industry issues, even though the MSRB may not have regulatory authority over these issues. For example, the MSRB convenes on a regular basis a roundtable of the key constituencies in the municipal securities markets – representing dealers, issuers, investors, indenture trustees, independent financial advisors, lawyers and other market participants – to promote open lines of communications among such groups and to educate all market participants on issues and concerns important to each segment of the industry. The MSRB has also hosted numerous marketplace forums to explore disclosure practices where the issuer community and other unregulated market participants have played a crucial role in the discussions. These and similar outreach efforts have often served as the catalyst for different constituencies to come together to work on issues of common interest. In many cases, significant voluntary initiatives among unregulated market participants to improve the efficiency and integrity of the municipal securities market have been outgrowths of these open lines of communications.

The MSRB expects to undertake aggressive outreach in the future on issues such as the use of derivatives in public finance to assist in the development of responsible practices that protect the integrity of the municipal securities industry. This outreach would involve not only educating the dealers that the MSRB regulates, but also the issuer community and other unregulated market participants. Outreach to the industry on issues of great importance to the MSRB that are beyond our regulatory reach will continue to be a key tool used by the Board to achieve its ultimate statutory calling to protect investors and the public interest.

C. Providing Mechanisms for Information Flows—Disclosure and Real-Time Transaction Reporting

Fundamentally, the MSRB believes everyone is better off with more information about the market. This includes information about issuers, information about their securities, and transaction prices.

In the area of issuer disclosure in the municipal market, the MSRB's focus over the past few years has been on voluntary improvements. To this end, the MSRB was instrumental in the formation of the Muni Council, a voluntary group comprised of 19 municipal market participants representing issuers, investors, dealers, lawyers, indenture trustees, independent financial advisors and other market participants. The Muni Council has been working over the past several years to improve secondary market disclosure in the municipal markets and is in the late stages of putting into place a formal structure which the Muni Council expects will improve the flow of disclosure information to investors.¹² In addition, a number of the Muni Council participants and related organizations have established their own initiatives and best practice guidelines on disclosure.

The MSRB has a long-standing policy to increase price transparency in the municipal securities market, with the ultimate goal of disseminating comprehensive and contemporaneous pricing data. The MSRB implemented a limited transaction reporting facility for the municipal securities market in 1995 and has since increased price transparency in the municipal market in a

¹² The Muni Council recently announced that the Municipal Advisory Council of Texas has opened beta testing of its Central Post Office (CPO). The CPO is expected to serve as a one-stop filing place for issuers' secondary market disclosure documents and to improve the flow of information to the existing nationally recognized municipal securities information repositories (NRMSIRs).

series of measured steps. By 2000, the MSRB was making all trade data public on a delayed basis and was giving out T+1 transaction data free. The market's reaction to the increasing levels of transparency has been positive. The use of the data in reports by market professionals and pricing services indicates its value and suggests the additional value that will be derived from real-time price data.

On June 1, 2004, the MSRB filed with the SEC a proposed rule change that represents the final stage in the evolution of price transparency in the municipal securities market, which is a system for comprehensive, real-time price dissemination. The gradual change to real-time reporting by dealers has eased operational and cost concerns on the part of the industry, since it has been possible for dealers to plan for the extensive system changes that have been required. In particular, it has been possible to include these changes within a normal planning cycle, as the securities industry moved toward straight through processing.

This real-time price transparency will offer several benefits to the market. Because of the lack of market-makers and a centralized exchange, it is not uncommon to see fragmented markets and relatively wide intra-day price spreads. Existing transaction data suggests that the efficiency of pricing in some cases might be improved substantially if prices are made accessible on a real-time basis. In general, real-time price transparency should benefit the market by helping to ensure that information relevant to the value of municipal securities issues is incorporated more quickly and reliably into transaction prices. For both institutional and retail

investors, the availability of market prices should instill greater confidence that pricing mechanisms in the market are fair and efficient.¹³

The MSRB recognizes that, because of the unique features of the municipal securities market, real-time price transparency for municipal securities will not necessarily function in the same manner as in the major equity markets or even the more-liquid market for Treasury securities. For the majority of municipal securities that are not traded daily, an investor will not be able to consider “last sale” information as a reliable means of obtaining an exact market price, as generally can be done for exchange-traded or NASDAQ listed stocks that trade frequently throughout the day. This is because such last sale may have occurred some time in the past under different market conditions and material changes may have occurred since that last sale which might affect the value of the security. Nevertheless, real-time prices will provide extremely important information on the market conditions for individual securities that are trading on a given day, and this information often can be extrapolated to assist in the accurate valuation of similar municipal issues that are not actively traded that day. The continued and increased use of transaction data in this manner is another major benefit of transparency that will allow for more timely and accurate valuations of municipal securities portfolios.

D. Having Simple Cost Effective Rules—Review of Rules G-37 and G-38

In order to have simple, cost effective rules the MSRB works diligently to promote understanding of its rules. The MSRB also continually engages in a process of reviewing its

¹³ InvestingInBonds.com, a retail-oriented web site carrying data from the MSRB’s existing Transaction Reporting Program, has been very successful in attracting users. The Bond Market Association operates InvestingInBonds.com.

rules. For example, in an effort to ensure that Rule G-37, on political contributions and prohibitions on municipal securities business, and Rule G-38, on consultants, continue to be effective in promoting a fair and efficient capital market, the Board has been engaged in an extensive review of these rules.

As a consequence, the Board has reacted to increasing signs that individuals and dealers subject to the rules may be seeking ways around Rule G-37 by publishing a notice to dealers reminding them that Rule G-37, as currently in effect, covers indirect as well as direct contributions to issuer officials, and alerting dealers that the MSRB has expressed to the enforcement agencies our concern that some of the increased political giving may indicate a rise in indirect Rule G-37 violations.¹⁴

Similarly, while the MSRB believes that its consultant disclosure requirements have been effective in bringing to light many aspects of dealer practices with respect to the use of outside consultants to solicit municipal securities business, the MSRB believes that some consultant practices may present challenges to the integrity of the municipal securities market.¹⁵ As a

¹⁴ While Rule G-37 was adopted to deal specifically with contributions made to officials of issuers by dealers and municipal finance professionals, and PACs controlled by dealers or MFPs, the rule also prohibits MFPs and dealers from using conduits—be they political parties, PACs, consultants, lawyers, spouses or affiliates—to contribute indirectly to an issuer official if such MFP or dealer can not give directly to the issuer without triggering the rule’s ban on business.

¹⁵ The MSRB has noted in recent years significant increases in the number of consultants being used, the amount these consultants are being paid and the level of reported political giving by consultants. The MSRB is concerned that some of these political contributions may be indirect violations of Rule G-37. The MSRB also is concerned that increases in levels of compensation paid to consultants for successfully obtaining municipal securities business may be motivating consultants to use more aggressive tactics in their contacts with issuers. These activities suggest that disclosure may not be sufficient to ensure that those who market the dealer’s services to issuers act fairly.

result, the MSRB is considering the possibility of rulemaking that would ensure that the basic standards of fair practice and professionalism embodied in MSRB rules are applied to the process by which municipal securities business is solicited. Thus, the MSRB has recently published for comment a draft amendment to Rule G-38 that would repeal existing Rule G-38 relating to consultants and replace it with a requirement that paid solicitations of municipal securities business on behalf of a dealer be undertaken only by persons associated with the dealer. The Board currently is considering a broad range of comments received from industry participants and remains open to all reasonable alternatives that might prove effective at addressing the Board's concerns in this area.

E. Adapting to Changes in Conditions—529 Plans

An important area in which the MSRB has adapted its rules to ensure investor protection in a rapidly evolving market has been the Section 529 college savings plan market. Although in outward appearance greatly resembling mutual funds, 529 plans are municipal securities issued by state entities as savings vehicles for paying college costs. Because they are not debt instruments – like bonds and notes – but instead are in effect shares in a pooled investment fund, many of the MSRB's long-standing customer protection rules originally crafted for debt securities were updated to reflect the new reality of the ever-diversifying municipal securities market created by the advent of 529 plans.

The MSRB has in place a broad array of customer protections under its rules for 529 plans marketed by dealers.¹⁶ These include rules on suitability, fair and reasonable commissions and sales loads, advertising, disclosure and sales practices. In addition, the Board has just published for comment two rulemaking proposals to further strengthen customer protections by establishing requirements for including standardized performance data in dealer advertisements of 529 plans and by placing limitations on sales incentives that can be given or received by dealers in connection with the sale of 529 plan shares and other municipal securities. Since – just as in the case of municipal bonds – 529 plans operate in a political environment, the MSRB’s political contribution and consultant rules also apply to dealers seeking to engage in the 529 plan business. The Board has also created a licensing exam designed to test specifically for a thorough understanding of the 529 plan products and relevant MSRB rules.

As in the municipal bond market, the MSRB has worked to provide education on 529 plans to the dealer community and to create a dialogue with all parties active in the market – not just the regulated dealers – to help foster an understanding of the fundamental need to ensure investor protection in this wholly retail market. The Board has long been an advocate for thorough and timely disclosure by state 529 plans. The MSRB applauds the College Savings Plan Network’s recent effort in establishing voluntary disclosure guidelines for state 529 plans. We look forward to reviewing their draft guidelines and are hopeful that they will greatly

¹⁶ However, unlike in the municipal bond market, many state 529 plans by-pass dealers to directly market to customers using state personnel. These state personnel are not subject to the MSRB’s investor protection rules. In addition, some banks that market 529 plans may, as a result of the definitions of “broker” and “dealer” under the Gramm-Leach-Bliley Act, not be subject to our investor protection rules.

increase the quality, comparability and accessibility of information available to customers seeking to save for the rising costs of college education.

CONCLUSION

The MSRB will continue to monitor the municipal securities market as it further evolves to include more diversified and complex new structures and techniques, and as dealers, issuers, investors and others increasingly rely on new technologies. As it has in the past, the Board will remain vigilant and will not hesitate to modify its rules and information systems to deal with the ever-changing marketplace.