

MSRB Proposes Adding Inter-Dealer Yield Data to EMMA and Other Rule G-14 Changes

The Municipal Securities Rulemaking Board (“MSRB”) recently filed a proposed rule change with the Securities and Exchange Commission (“SEC”) which would:

- amend MSRB Rule G-14 and its Real-time Transaction Reporting System (“RTRS”) Procedures to add inter-dealer yield data to the MSRB’s Electronic Municipal Market Access (“EMMA”) website; and
- amend the RTRS information system and subscription service to remove certain outdated information and infrequently used reporting, add an RTRS-calculated yield, and require dealers to submit dollar prices for certain trades.

The text of the proposed amendments is available at <http://msrb.org/Rules-and-Interpretations/Regulatory-Notices/2012/2012-03.aspx>.

MSRB Rule G-14

MSRB Rule G-14 requires brokers, dealers, and municipal securities dealers to report certain information about municipal securities transactions to RTRS. The reported information is made publicly available and used by various regulators to assist in the inspection for compliance with and enforcement of MSRB rules. The EMMA website currently displays dollar prices and yields for municipal securities transactions between dealers and customers. However, yields are not displayed for transactions between dealers. The MSRB believes that adding yields on inter-dealer transactions calculated in the same manner as the dollar price and yield for customer transactions would improve the usefulness of the inter-dealer data displayed on the EMMA website and increase transparency in the municipal market.

Proposed Amendments

The proposed rule change would amend Rule G-14 and the Rule G-14 RTRS Procedures to update certain outdated references, eliminate certain provisions that are no longer relevant or have expired, and conform terms in certain definitions. The proposed rule change would also: (i) remove certain outdated references and amend certain definitions to reflect current system operating hours; (ii) modify RTRS specifications to perform certain yield calculations for inter-dealer transactions; (iii) remove certain infrequently used data reporting requirements; (iv) require dealers to submit dollar prices for certain trades; and (v) modify RTRS specifications to reduce the number of trades suppressed from dissemination because of erroneous price and yield calculations.

Effective Dates and Testing

The MSRB would implement the proposed changes in three phases. The MSRB anticipates making a test environment available on February 6, 2012, for testing the April 30, 2012, changes. The availability of a specifications document and test environment reflecting the changes proposed to be made effective by no later than November 30, 2012, will be announced in a notice published on the MSRB website at www.msrb.org, and MSRB expects to provide such a test environment during the first week of May 2012.

If you would like to discuss any of the issues discussed in this Client Alert, please contact any attorney in our Investment Management Group or visit us online at chapman.com.

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