It’s Your Deal:
Roles and Responsibilities in a Municipal Issuance

November 3, 2017 | GFOA of Texas Fall Conference
Priya Ghosh Ahola, Outreach Manager

Municipal Securities Rulemaking Board
It’s YOUR Deal

Municipal Market 101

The nearly $4 trillion municipal securities market provides state and local governments with access to capital for important infrastructure projects. Follow a city as it navigates Muniland to finance a new school, and learn how the Municipal Securities Rulemaking Board protects the city and its investors along the way.

City decides to issue school bonds.

City uses MSRB Education Center to learn about the issuance process.

City hires Municipal Advisor if necessary.

Underwriter must deal fairly with City and investors, and offer a fair price.

City selects Underwriter.

Municipal advisor owes fiduciary duty to put City’s interest first.

Brokers must give suitable recommendations, disclose information on features and risks, and provide a fair price for investors.

Investors trade bonds through brokers.

Investors learn about buying and selling bonds in the secondary market.

Investors use EMMA to access updated information about City’s financial health.

MSRB Education Center resources help City understand its disclosure obligations to investors.

City makes continuing disclosures.

City repays principal & interest until bonds mature.

New School.
Topics

- Working with Municipal Finance Professionals
- Understanding Continuing Disclosure Obligations
- Using EMMA® Tools for Issuers
- Accessing Market Education
Role of the MSRB
Mission of the MSRB

- Promote a **fair**, **transparent** and **efficient** municipal market
- Protect investors, issuers and the public interest
MSRB Protections for Issuers

- **MSRB Rules**
  - For municipal securities dealers and municipal advisors
  - Not for issuers

- **EMMA®**
  - Municipal bond disclosure documents
  - Trade data

- **Education Center**
  - Objective, multimedia educational resources about municipal market
Working with Municipal Finance Professionals
The Deal Team

- Issuer
- Bond Counsel
- Municipal Advisor(s)
- Underwriter(s)
- Underwriting Syndicate Member
- Selling Group Members
- Other Counsel
- Deal Table
- Underwriter’s Counsel
- Feasibility Consultant
- Auditor
- Trustee
- Credit Enhancer
- Rating Agencies
- Disclosure Counsel
- MSRB-Regulated
- MSRB-Protected
Role of the Underwriter

Designing the plan of finance
Developing the bond structure
Developing bond documents
Determining timing of sale
Executing pre-sale marketing
Managing bond pricing
Providing proceeds at closing
Duties of the Underwriter

• Has an “arm’s-length” relationship with issuers
• Duty of fair dealing
• Duty of fair pricing
• Must respect priority provisions and retail order periods
• Provides official statement to investors

Fair Dealing

MSRB Rule G-17
Among other provisions, requires underwriters to disclose role, compensation and actual or potential material conflicts of interest to issuer
Role of the Municipal Advisor

- Developing requests for proposals
- Assisting in selection of underwriters
- Developing the plan of finance
- Analyzing financing alternatives
- Advising on the method of sale
Duties of the Municipal Advisor

• Has a fiduciary duty to municipal entity clients
  – Duty of care and duty of loyalty
  – Must put municipal entity client’s interests of ahead of its own

• Has a duty of care to obligated person clients

Standards of Conduct

MSRB Rule G-42
Sets forth core elements of the fiduciary duty and provides guidance on certain conduct and issues likely to occur in the course of engaging in municipal advisory activities
What to Expect from Your Municipal Advisor

Check
- Verify firm registration
- Check professional qualification

Know
- Understand what professionals can and can’t do under MSRB rules

Report
- Contact the MSRB to report potential rule violations
Verify Municipal Advisor Registration

• All municipal advisor firms should be registered with both the SEC and the MSRB
• Find a full list of MSRB-registered firms on the MSRB website

http://www.msrb.org
Look for Series 50 Qualification

• MSRB requires all municipal advisors to take and pass the professional qualification exam

• After **September 12, 2017**, individuals cannot engage in municipal advisory business if they have not passed the MSRB’s Series 50 exam

• View a list of Series 50-qualified municipal advisor professionals on the MSRB’s website
  
  [http://msrb.org/MARegistrants.aspx](http://msrb.org/MARegistrants.aspx)
Check Professional Qualifications

- Individuals cannot engage in municipal advisory business if they have not passed the MSRB’s professional qualification exam (Series 50)

- View a list of Series 50-qualified municipal advisor professionals on the MSRB’s website
  - [http://msrb.org/MARregistrants.aspx](http://msrb.org/MARregistrants.aspx)
Municipal Advisors MUST

- Put municipal entity client’s interests ahead of their own
- Disclose conflicts of interest
- Provide documentation of municipal advisory relationship
- Make suitable recommendations
- Know their clients
Municipal Advisors MUST NOT

- Charge excessive compensation and fees
- Deliver inaccurate invoices for fees or expenses
- Make false or misleading representations about their capacity or knowledge
- Advise on certain transactions where the municipal advisor’s firm is acting as principal
- Attempt “pay-to-play” activities
- Attempt to give excessive gifts or gratuities to an employee of an issuer client
Report a Complaint

• Submit complaints to the MSRB
  – 202-838-1330
  – complaints@msrb.org

• Submit complaints to the SEC
  – U.S. Securities and Exchange Commission
    Office of Municipal Securities
    100 F Street, NE
    Washington, DC 20549
  – Tips, Complaints and Referrals Portal

• Submit complaints about FINRA-registered municipal advisors to FINRA
  – FINRA's Investor Complaint Center
Muni Market Facts
Pop Quiz

• What’s the average number of daily trades in municipal bonds?
  – 35,000

• Which state issues the largest par amount for infrastructure financing?
  – California

• How many municipal bonds are outstanding?
  – 1 million
  – In contrast, there are about 30,000 corporate bonds outstanding.
Understanding Continuing Disclosure Obligations
Importance of Disclosure

• Timely and complete disclosure by issuers of municipal securities is essential to:
  – Building investor confidence in the municipal market
  – Sustainable access to capital for state and local governments
  – Maintaining public trust and accountability to taxpayers
  – The integrity of the municipal market
MSRB Principles for Disclosure

1. Fully own the official statement.
2. Make timely and complete continuing disclosures.
3. Voluntarily disclose information on bank loans and alternative financings.
4. Fully utilize the EMMA website as a resource.
5. Institute regular training for and make educational resources about the municipal market and its rules available to professionals at all levels of government.

Required Disclosures (SEC Rule 15c2-12)

Financial/Operational
- Comprehensive Annual Financial Report
- Audited Financial Statements
- Financial Information
- Operating Data
- Notice of Failure to File Annual Financials

Event Notices
- Notices of specific events that can have an impact on key features of the bonds
- Must be submitted within 10 business days
### Required Event Disclosures

<table>
<thead>
<tr>
<th>Event Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Principal and interest payment delinquencies</td>
<td>Non-payment related defaults</td>
</tr>
<tr>
<td>Unscheduled draws on debt service reserves reflecting financial difficulties</td>
<td>Unscheduled draws on credit enhancements reflecting financial difficulties</td>
</tr>
<tr>
<td>Substitution of credit or liquidity providers, or their failure to perform</td>
<td></td>
</tr>
<tr>
<td>Adverse tax opinions or events affecting the tax-exempt status of the security</td>
<td></td>
</tr>
<tr>
<td>Modifications to rights of security holders</td>
<td>Bond calls and tender offers</td>
</tr>
<tr>
<td>Defeasances</td>
<td>Release, substitution or sale of property securing repayment of the securities</td>
</tr>
<tr>
<td>Rating changes</td>
<td>Bankruptcy, insolvency or receivership</td>
</tr>
<tr>
<td>Merger, acquisition or sale of all issuer assets</td>
<td>Appointment of successor trustee</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**MSRB**
Continuing Disclosure Agreements

• Issuer’s contractual obligations for:
  – What to disclose in annual financials
  – Required timing of annual financials
  – Events that will trigger disclosure
  – History of compliance with SEC Rule 15c2-12

• Often included as exhibits or appendices in official statements

• Details and requirements can vary from issue to issue

Do you remember signing a CDA?
Anti-Fraud Regulations for Disclosure

- Apply to both required and voluntary disclosures
- Prohibit fraudulent, inaccurate or misleading information in disclosures to investors
- Material information may not be omitted

Anti-Fraud Regulations

- Securities Exchange Act of 1934
- SEC Rule 10b-5
Consequences of Failure to Comply

- Violations of anti-fraud laws may result in:
  - SEC charges against issuers
  - Fines
  - Bans from business
- Any instance of failure to provide required continuing disclosures must be disclosed in the issuer’s subsequent official statements
  - Five-year requirement after failure
  - Applies even after failure has been rectified

SEC’s MCDC Initiative

71 issuers in 45 states cited for offering documents containing materially false statements or omissions
Submitting Required Disclosures to EMMA

Are you new to EMMA?

Find prices, disclosures and other information for municipal bonds.

Browse municipal securities information by issuer.

Find 529 plan and ABLE program disclosure documents by state.

Access data and information about Commonwealth of Puerto Rico bonds.

MSRB Education Center

Access resources for municipal market investors and state and local governments.

Investor Resources

EMMA 101 Video
Watch the EMMA 101 video and learn how EMMA can help investors.

Price Discovery Tool
Find and compare trade prices of municipal bonds with similar characteristics.

Understanding Trade Prices
Watch videos about municipal bond prices.

EMMA Updates
Read about enhancements to EMMA since its launch.

Submit Documents

Sign up for email reminders on submitting financial disclosures.

Access online training about submitting to EMMA.
Bank Loan Disclosure

• MSRB advocates and facilitates voluntary disclosure of bank loans and alternative financings
  – Provides investors with full picture of municipal entity’s indebtedness
  – Enhances market transparency

• SEC recently proposed changes to require disclosure of financial obligations such as bank loans
Submitting Bank Loan Disclosures

EMMA Dataport - Continuing Disclosure Submission

Submission Status: Not Published

You are currently acting on behalf of MSRB

Next  Save  Exit

Select Type of Continuing Disclosure Submission

- **FINANCIAL/OPERATING FILING**
  Submit annual financial information under SEC Rule 15c2-12(b)(5)(i)(A) and (d) (2)(ii)(A), audited financial statements under Rule 15c2-12(b)(5)(i)(B), notice of failure to provide annual financial information under Rule 15c2-12(b)(5)(i)(D), and other financial or operating information.

- **EVENT FILING**
  Submit notice of an event specified under SEC Rule 15c2-12(b)(5)(C) and (d) (2)(ii)(B), and any other voluntary notice or disclosure with respect to municipal securities.

- **BANK LOAN/ALTERNATIVE FINANCING FILING**
  Submit disclosure documents for bank loans or other forms of alternative financing.

- **ASSET-BACKED SECURITIES FILING**
  Submit disclosure documents for asset-backed securities under SEC Rule 15Ga-1.

New!
Using EMMA® Tools for Issuers
What’s on EMMA

Disclosures

✓ Official Statements
✓ Advance Refunding Documents
✓ Event Notices
✓ Financial Disclosures
✓ 529 Plan Disclosures
✓ Municipal Asset-Backed Securities Disclosure
✓ Political Contribution Disclosures

Data

✓ Trade Prices and Yields
✓ Interest Rate Resets for Municipal Variable Rate Securities
✓ Credit Enhancement Documents for Variable Rate Securities
✓ Credit Ratings
✓ New Issuance Statistics
✓ Trade Statistics
✓ Disclosure Statistics
EMMA Tools and Resources

EMMA users have access to several free tools and resources to assist with finding data and information about municipal securities and the market.

**MyEMMA**
Create a free MyEMMA profile to receive alerts when new information becomes available on EMMA for a particular security and to save frequently used searches.

**New Issue Calendar**
View a list of the municipal securities issues scheduled to come to market, integrated with final pricing scales.

**Economic Calendar**
Click to view upcoming economic reports and events that may have an impact on the municipal bond market.

**Yield Curves and Indices**
View daily and historical yield curves and indices from third-party providers.

**Price Discovery Tool**
Find and compare trade prices of municipal bonds with similar characteristics.

**Market Statistics**
Access data on trading activity and new municipal issuance.
Organization Account

- Creates single continuing disclosure submission account for all agents and staff of an issuer
- Allows master account administrator to securely and independently manage staff access
- Required to customize and manage issuer homepages and other EMMA® tools for issuers
Organization Account Checklist

- Existing individual disclosure submission account information, if applicable
- Organization name and contact information
- Contact information for a master account administrator
- Federal Tax Employer Identification Number (EIN)
- EIN documentation (letterhead, official statement)
Email Reminders

• Issuers can schedule automated emails from EMMA® to be reminded of approaching annual or quarterly financial disclosure filing deadlines

• Include additional contacts to ensure all those with a role in disclosure are alerted
EMMA Issuer Homepages

Find an Issuer
Find any municipal securities issuer by state. Click on a state in the Interactive map to browse a searchable list of cities, counties and other issuing authorities and access information about their municipal securities.
Features of Issuer Homepages

**PORT OF SEATTLE (WA)**

Customized

Click on a tab to access data and documents about this issuer’s municipal securities.

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**Issuer’s Contact Information**

<table>
<thead>
<tr>
<th>Contact</th>
<th>Address</th>
<th>City, State, Zip</th>
<th>Phone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scott W. Bertram</td>
<td>2711 Alaskan Way</td>
<td>Seattle, WA 98121</td>
<td>(206) 787-3273</td>
</tr>
</tbody>
</table>

Email Address: bertram.s@portseattle.org

Issuer Website(s):
Port.of.Seattle.website—financial.information

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**Issues**

Click on the issue description to view details about the issue.

Display: 10 results

<table>
<thead>
<tr>
<th>Issue Description</th>
<th>Dated Date</th>
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</thead>
<tbody>
<tr>
<td>INTERMEDIATE LIEN REVENUE REFUNDING BONDS, SERIES 2017B (TAXABLE)</td>
<td>08/22/2017</td>
</tr>
<tr>
<td>INTERMEDIATE LIEN REVENUE BONDS, SERIES 2017C (AMT)</td>
<td>08/22/2017</td>
</tr>
<tr>
<td>INTERMEDIATE LIEN REVENUE REFUNDING BONDS, SERIES 2017A (NON-AMT)</td>
<td>08/22/2017</td>
</tr>
<tr>
<td>INTERMEDIATE LIEN REVENUE BONDS, SERIES 2017D (AMT)</td>
<td>08/22/2017</td>
</tr>
<tr>
<td>LIMITED TAX GENERAL OBLIGATION BONDS, 2017</td>
<td>03/07/2017</td>
</tr>
<tr>
<td>INTERMEDIATE LIEN REVENUE REFUNDING BONDS, SERIES 2016 (NON-AMT)</td>
<td>08/02/2016</td>
</tr>
<tr>
<td>FIRST LIEN REVENUE REFUNDING BONDS, SERIES 2016B (AMT)</td>
<td>08/02/2016</td>
</tr>
<tr>
<td>FIRST LIEN REVENUE REFUNDING BONDS, SERIES 2016C (TAXABLE)</td>
<td>08/02/2016</td>
</tr>
<tr>
<td>FIRST LIEN REVENUE REFUNDING BONDS, SERIES 2016A (NON-AMT)</td>
<td>08/02/2016</td>
</tr>
<tr>
<td>INTERMEDIATE LIEN REVENUE BONDS SERIES 2015 (NON-AMT)</td>
<td>08/06/2016</td>
</tr>
</tbody>
</table>

Displaying 1 to 10 of 159 results
Real-Time and Historical Trade Data

- **Trade Summary**: View daily summary of trade price and yield information for this security.
- **Trade Details**: View historical trade price and yield information for this security.
- **Trade Price and Yield Graphs**: View graphs of trade prices and yields for this security over time.
- **Price Discovery Tool**: Find and compare trade prices of other securities with similar characteristics.

### Trade Activity

#### Table

<table>
<thead>
<tr>
<th>Trade Date</th>
<th>High/Low Price (%)</th>
<th>High/Low Yield (%)</th>
<th>Trade Count</th>
<th>Total Trade Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/05/2016</td>
<td>104.953 / 108.043</td>
<td>3.514 / 5.218</td>
<td>5</td>
<td>80,000</td>
</tr>
</tbody>
</table>

#### Trade Price/Time

<table>
<thead>
<tr>
<th>Trade Date/Time</th>
<th>Settlement Date</th>
<th>Price (%)</th>
<th>Yield (%)</th>
<th>Trade Amount ($)</th>
<th>Trade Type</th>
<th>Special Condition</th>
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</thead>
<tbody>
<tr>
<td>02/05/2016 04:31 PM</td>
<td>02/10/2016</td>
<td>105.862</td>
<td>3.356</td>
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<td>Inter-dealer trade</td>
<td></td>
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<tr>
<td>02/05/2016 04:31 PM</td>
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<td>102.743</td>
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<td>02/10/2016</td>
<td>99.618</td>
<td>3.107</td>
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<td>01/28/2016</td>
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<td>103.493</td>
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<td>01/27/2016</td>
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<td>100.514</td>
<td>2.978</td>
<td>3,000</td>
<td>Inter-dealer trade</td>
<td></td>
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<td>01/20/2016</td>
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<td>102.174</td>
<td>2.924</td>
<td>2,000</td>
<td>Inter-dealer trade</td>
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</table>

### Trade Price Graph

- **Summary (All trading days)**
- **Details (Most recent 5,000 trades)**

Select a time period: 1D, 1W, 1M, 6M, YTD, 1Y, ALL

- **From**: April 2, 2013
- **To**: February 5, 2016

- 80, 85, 90, 95, 100

- 2015-05-01 to 2016-02-05

- Customer bought, Customer sold, Inter-dealer
**Price Discovery Tool**

### Side-by-Side Comparison

<table>
<thead>
<tr>
<th>CUSIP*</th>
<th>Security Description*</th>
<th>State</th>
<th>Maturity Date</th>
<th>Interest Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>690719VZ7</td>
<td>WASHINGTON ST CTF5 PARTN / ST REAL PPTY-SER C</td>
<td>WA</td>
<td>07/01/2022</td>
<td>4.2</td>
</tr>
<tr>
<td>690719T06</td>
<td>WASHINGTON ST CTF5 PARTN / STATE &amp; LOC PPTY-SER F</td>
<td>WA</td>
<td>07/01/2021</td>
<td>4.5</td>
</tr>
<tr>
<td>734809Q55</td>
<td>PORT EVERETT WASH REV</td>
<td>WA</td>
<td>12/01/2022</td>
<td></td>
</tr>
<tr>
<td>939719D04</td>
<td>WASHINGTON ST CTF5 PARTN / ST &amp; LOC AGY REAL PPTY-SER F</td>
<td>WA</td>
<td>01/01/2022</td>
<td></td>
</tr>
</tbody>
</table>

### Trade Price Graph for CUSIPs: 303823K77 65988NAT9

- **Select a time period:** [1W, 1M, 3M, QTD, 1Y, ALL]
- **From:** Dec 28, 2013
- **To:** Jan 26, 2014

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Read about using EMMAN’s trade price graphs.
EMMA Trade Monitor

- Export trade data from EMMA® to a desktop application
  - Analyze the prices, yield and amount of secondary market trade activity of municipal bonds
  - Support evaluation of pricing for new issues
  - Access with an organization account
Tell Us What You Think

• Share your ideas for ways to enhance EMMA®

Welcome to EMMA

EMMA is the official repository for information on virtually all municipal bonds, providing free access to official disclosures, trade data and other information about the municipal securities market.

- **EMMA 101**
  Watch our EMMA 101 video and learn how EMMA can help investors.

- **Getting to Know EMMA**
  Introductory guides spotlight the top ways investors and issuers can use EMMA.

- **EMMA for Reporters**
  See how EMMA can be a useful tool for reporters covering state or local government.
Accessing Market Education
Welcome to the MSRB Education Center. This free and objective set of resources seeks to educate investors, state and local governments, and others interested in learning about the $3.6 trillion municipal securities market. A multimedia library of information explains how the market works and how participants can make more informed decisions.

**Understanding the Municipal Market**
- About Municipal Securities
- Lifecycle of a Bond
- 529 College Savings Plans

**For Investors**
- Preparing to Invest
- Buying and Selling Bonds
- Monitoring Bonds

**For State & Local Governments**
- Issuing Municipal Securities
- Monitoring Securities
- Disclosing Information to Investors

Glossary | Videos | Fact Sheets | Webinars | Podcasts
Free Educational Resources

- Checklist for preparing to submit financial disclosures
- Instructions for posting bank loan disclosures
- Overview of roles of financing team
- New resources added regularly
On-Demand Webinars

- MSRB webinar portal available on MSRB.org
  - News and Events > Webinars
- Register for upcoming live webinars on municipal market rules, new EMMA® features and other topics
- Watch free on-demand webinars
- Earn CPE credit
NEW
MuniEdPro® Municipal Market Education

Free course for issuers available at msrb.org

Interactive, online courses about municipal market activities and MSRB regulations
Complimentary Course: Being an Informed Municipal Bond Issuer

At the end of the course the learner will be able to:

- Identify factors for selecting key professionals hired by a municipal bond issuer;
- Describe key considerations when issuing municipal bonds; and
- Understand an issuer’s obligations related to municipal bonds.

Current Offerings

• Exploring Municipal Bonds: A Course for Investors
• **Due Diligence:** Primary Offering Disclosure Responsibilities
• **Complimentary Course:** Being an Informed Municipal Bond Issuer
• **Role of the Regulator:** Understanding the MSRB
• **The Decision to Borrow:** Roles and Responsibilities of Market Participants in Fixed Rate Primary Market Offerings
• **Rules and Risks:** Understanding MSRB Rules in Relation to Municipal Market Risks

Current Offerings

• **Making Recommendations:** Understanding Suitability and Time-of-Trade Disclosure for Municipal Securities Transactions
• **Standards of Conduct:** The Duties of Non-Solicitor Municipal Advisors
• **Best Execution:** Best Execution of Transactions in Municipal Securities: MSRB Rule G-18
• **Gifts and Solicitations:** Gifts, Gratuities, Non-Cash Compensation and Expenses of Issuance: MSRB Rule G-20

Coming in 2017

• Mark-Ups and Disclosure

Find out more at MSRB.org
Contact the MSRB

Call MSRB Support
202-838-1330
MSRBsupport@msrb.org
Live support weekdays
7:30 a.m. - 6:30 p.m. ET

Questions about the municipal market?