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Municipal Securities
Dealers, Investors,
General Public

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Regulatory
Announcement

Category
Fair Practice; Market
Transparency

Affected Rules
[Rule G-18](#); [Rule G-48](#);
[Rule D-15](#)

MSRB Provides Implementation Guidance on MSRB Rule G-18, on Best Execution

Background

On December 5, 2014, the Securities and Exchange Commission (SEC) approved new MSRB Rule G-18, which establishes the first best-execution rule for transactions in municipal securities, and related amendments to MSRB Rule G-48, on transactions with sophisticated municipal market professionals (SMMPs), and MSRB Rule D-15, on the definition of an SMMP, to exempt transactions with SMMPs from the new rule (related amendments). On September 3, 2015, prior to Rule G-18 and the related amendments becoming effective, the MSRB made a filing with the SEC to provide that the effective date of Rule G-18 and the related amendments will be 120 days from the date of publication by the MSRB of implementation guidance on those rules, but no later than April 29, 2016.¹

Today, the MSRB published the implementation guidance, which provides answers to frequently asked questions about the best-execution rule and the SMMP exemption. Accordingly, the effective date for Rule G-18 and the related amendments is Monday, March 21, 2016.

Important background material related to the best-execution rulemaking process is listed below.

- [MSRB approval notice](#) (December 8, 2014)²
- [SEC approval order](#) (December 5, 2014)³
- [MSRB response to comments](#) (November 21, 2014)

¹ See Exchange Act Release No. 75934 (Sept. 17, 2015), 80 FR 57410 (Sept. 23, 2015) (SR-MSRB-2015-10).

² MSRB Notice 2014-22.

³ Exchange Act Release No. 73764 (Dec. 5, 2014), 79 FR 73658 (Dec. 11, 2014) (SR-MSRB-2014-07).



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- [SEC notice of the proposed rule change](#) (September 2, 2014)⁴
- [MSRB proposed rule change](#) (August 20, 2014)

Implementation Guidance

The MSRB adopted the best-execution rule and related amendments, which are effective on March 21, 2016, as a key market structure and investor protection initiative. The adoption of the rule also addresses a recommendation in the SEC's 2012 Report on the Municipal Securities Market (2012 Report)⁵ that the MSRB consider buttressing its existing fair-pricing standards by establishing an express best-execution obligation. The 2012 Report also recommended that the MSRB, if it were to establish such an obligation, provide guidance to dealers on how best-execution concepts would be applied to municipal securities transactions. Accordingly, the MSRB has prepared [answers to frequently asked questions about the best-execution rule and the SMMP exemption](#).⁶

The MSRB may update the questions and answers periodically, and any updates will include appropriate references to dates of new or modified questions and answers.

Questions concerning this notice may be directed to Michael L. Post, General Counsel – Regulatory Affairs, or Carl E. Tugberk, Assistant General Counsel, at 703-797-6600.

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⁴ Exchange Act Release No. 72956 (Sept. 2, 2014), 79 FR 53236 (Sept. 8, 2014) (SR-MSRB-2014-07).

⁵ SEC Report on the Municipal Securities Markets (July 31, 2012), available at <http://www.sec.gov/news/studies/2012/munireport073112.pdf>.

⁶ MSRB Implementation Guidance on MSRB Rule G-18, on Best Execution, available at <http://www.msrb.org/~media/Files/MISC/Best-Ex-Implementation-Guidance.ashx>