

MEMO# 23585

June 26, 2009

MSRB Proposes Additional Pay-to-Play Disclosures

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TO: MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 24-09 RE: MSRB PROPOSES
ADDITIONAL PAY-TO-PLAY DISCLOSURES

The Municipal Securities Rulemaking Board (MSRB) is seeking comment on a proposal to enhance its pay-to-play rule, Rule G-37, which generally prohibits dealers from engaging in municipal securities business with an issuer within two years after making certain contributions to an official of such issuer. [\[1\]](#) Specifically, the proposal would require mandatory public disclosure of bond ballot campaign committee contributions made by dealers, municipal finance professionals, or their political action committees on MSRB Form G-37.

In proposing changes to Rule G-37, MSRB is exploring concerns that contributions to such committees could assist dealers with obtaining municipal securities business and may raise the perception of pay-to-play practices, similar to concerns raised by dealer contributions to political candidates. Accordingly, MSRB is seeking comment on, among other topics, the following:

- The prevalence of dealer contributions to bond ballot campaign committees;
- Whether there are certain municipal finance market segments that have more contribution activity than others;
- How such contributions are used by campaign committees;
- The circumstances under which such contributions have been made by dealers having roles in the related bond underwriting, including, but not limited to, the timing of such

contributions in relation to key milestones in the bond authorization and underwriting processes; and

- Whether dealers are solicited to make contribution by campaign committees or by issuers and, if so, how they are solicited.

MSRB is proposing that the information gathered through the proposed public disclosures would serve as a basis for understanding whether it should consider further action with regard to bond ballot initiatives in the future. The proposal would not, at this time, provide for a ban on municipal securities business as a result of contributions to bond ballot measures.

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endnotes

[1] See MSRB Notice 2009-35, *Request for Comment: Rule G-37 on Political Contributions and Prohibitions on Municipal Securities Business – Bond Ballot Campaign Committee Contributions*, June 22, 2008 (available at <http://www.msrb.org/msrb1/whatsnew/2009-35.asp>). Comments are due to the MSRB no later than August 7, 2009.

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