

MEMO# 32015

October 21, 2019

ICI Files Comments with SEC Expressing Strong Opposition to MSRB Again Increasing Fees Imposed on Municipal Advisors

[32015]

October 21, 2019 TO: 529 Plan Advisory Committee
Investment Advisers Committee RE: ICI Files Comments with SEC Expressing Strong Opposition to MSRB Again Increasing Fees Imposed on Municipal Advisors

In September, the Municipal Securities Rulemaking Board filed with the Securities and Exchange Commission, for immediate effectiveness, a proposal to double the fees charged to municipal advisory professionals.[\[1\]](#) The fee, which is currently \$500, would increase to \$1000 over the next two years. Today, the Institute filed a comment letter with the SEC strongly opposing this fee increase because:

1. The MSRB has not published a thorough economic analysis demonstrating the need for or fairness of this increase;
2. This will be the *third* increase in fees imposed by the MSRB on municipal advisory firms in the past five years (*i.e.*, since 2014);
3. Compared to other regulatory fees imposed on securities industry professionals, the MSRB's fees are considerably higher even though the MSRB has less regulatory responsibility than such other regulators; and
4. Aside from increasing the revenue stream for the MSRB, the basis for increasing this fee appears questionable.

Each of these issues is discussed in detail in the letter. The letter recommends that the SEC disallow the proposed fee until the MSRB publishes a sound economic analysis that justifies a 100% increase in this fee.

Among other things, the letter notes that:

- The MSRB has failed to provide a reasoned explanation to document whether the fee increase is necessary and appropriate. Instead, it has once again merely recited the exact same boilerplate language it uses each time it raises its fees;
- The MSRB obviously presumes the SEC will approve the fee without question as the

Municipal Advisor Fee schedule on the MSRB's website is already showing the proposed fees as a *fait accompli*;

- This fee increase will be the *third time* in five years that the MSRB has increased this fee, even though, prior to the last fee increase in 2017, which increased the previous fee by 67%, they claimed they conducted a “holistic” review of all their fees;
- The MSRB's fees are way out of line with the fees charged to municipal advisers by the SEC and the fees charged to representatives by FINRA and the states – even though the MSRB has less regulatory responsibility over registrants since it does not conduct inspections or bring enforcement actions. Instead, the SEC or FINRA have inspection and enforcement authority over the persons the MSRB regulates; and
- The MSRB's justification for increasing the fee is suspect. Once again, the MSRB is pointing to the rules it wrote 5 years ago, in part, as a basis to raise these fees. It also discusses the MSRB outreach activities to support the fee increase. The Institute's letter notes that: (1) there is no indication of the costs associated with these activities so it is impossible to know the relationship between the increased fee and these activities; and (2) the MSRB has provided no evidence that the municipal advisors that pay for these outreach activities find them to be of value.

For all the reasons discussed in the letter, the Institute strongly encourages the Commission not to approve this fee increase without further study.

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[Attachment](#)

endnotes

[1] See [Notice of Filing and Immediate Effectiveness of a Proposed Rule Change to Amend MSRB Rule A-11, on Assessments for Municipal Advisor Professionals, to Increase the Annual Professional Fee Over a Two-Year Phase-In Period](#), SEC Release No. 34-87075 (September 24, 2019) (“the 2019 Release”).