

MEMO# 23609

July 6, 2009

MSRB Issues Report on Build America Bonds

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TO: MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 27-09
FIXED-INCOME ADVISORY COMMITTEE No. 16-09 RE: MSRB ISSUES REPORT ON BUILD AMERICA BONDS

The Municipal Securities Rulemaking Board (MSRB) published a report which reviewed issuance and trading activity for Build American Bonds (BABs). [\[1\]](#) BABs, which were introduced by Congress in the American Recovery and Reinvestment Act of 2009, are taxable municipal bonds that allow state and local government issuers to elect either to receive a direct payment from the U.S. Treasury Department or to provide the bondholders with a tax credit. The MSRB report reviewed BABs for the period of April 15, 2009 (the first issuance of a BAB) through June 11, 2009.

In reviewing the use of BABs by municipalities, the MSRB report found that seventy-nine issuers have taken advantage of the BAB program during the review period, and all of these issuers opted for the direct payment method. According to the report, these issuances accounted for 16 percent of all long-term new issues in the municipal market and accounted (generally) for over 75 percent of all long-term taxable issuance. In addition, the report stated that primary and secondary trading volume for BAB issues during the review period totaled \$23 billion, accounting for 4 percent and 2 percent of the overall municipal par volume and number of trades reported to the MSRB, respectively.

In its report, the MSRB emphasized that BABs are municipal securities subject to all MSRB investor protection and other rules on dealers' municipal securities activities, even though

the bonds are taxable.

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endnotes

[1] See *Municipal Securities Rulemaking Board Publishes Report On Early Issuance Of Build America Bonds; Document Provides Overview Of Municipalities Use Of New Bonds*, MSRB Press Release, July 2, 2009, available at:
<http://www.msrb.org/msrb1/Press/Release/MSRBIssuesBuildAmericaBondsReport.asp>.

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