EMMA® RESOURCE

MSRB

Discover the EMMA® Website

EMMA® Electronic Municipal Market Access

The Electronic Municipal Market Access (EMMA®) website is the municipal market's free source of data and information on virtually all municipal bonds. The Municipal Securities Rulemaking Board (MSRB) operates the EMMA website to promote a transparent, fair and efficient market. Discover how investors, state and local governments, financial professionals and the public can use EMMA to make more informed decisions about municipal securities.

The MSRB operates EMMA to promote a transparent, fair and efficient municipal market.

Research Municipal Securities

EMMA provides real-time trade prices, official statements, credit ratings, ongoing disclosure documents and other information about more than one million outstanding municipal securities.

Find a Security. EMMA's search tools allow users to find a specific municipal security by its unique identifier or by name.

Gauge Municipal Bond Prices. EMMA's price discovery tool allows investors to find and compare trade prices of municipal securities with similar characteristics.

View Upcoming Issues. See a new issue calendar listing the municipal bond issues scheduled to come to market, as well as those recently sold.

Track a Security. EMMA users can create a free MyEMMA profile to receive an alert when new information becomes available for selected securities.

Browse Issuers

EMMA features an interactive map that enables users to access a searchable directory of all state, city, county and other municipal securities issuers in a particular state.

Issuer Homepages. Each issuer has a unique page that consolidates all information available on EMMA about the issuer's securities, including recent trades, official statements, disclosure documents and optional information such as contact information, website addresses and pre-sale documents.

Explore Trends and Data

EMMA's market statistics provide insight into new issuance trends, trade activity and continuing disclosure filings.

An economic calendar highlights key data releases, announcements and other macroeconomic developments that could have an impact on the municipal market.

Learn More about EMMA

The MSRB provides educational resources about how to use EMMA.

- EMMA 101: An Overview for Municipal Bond Investors
- Getting to Know EMMA: Introductory Guide for Investors
- Getting to Know EMMA: Introductory Guide for State and Local Governments
- MSRB Education Center

Sign up for EMMA email updates.

MSRB

Six Ways to Use EMMA®

Submit continuing disclosure documents.

Pursuant to continuing disclosure agreements, municipal bond issuers and obligated persons must file continuing disclosures and related documents to EMMA. The EMMA system is the only official repository for continuing disclosure documents. Underwriters are required to provide official statements to EMMA on behalf of municipal bond issuers.

emma.msrb.org

Learn about the continuing disclosure available for other bond transactions.

Both continuing disclosures made pursuant to a continuing disclosure agreement and those made voluntarily can be found under the EMMA website's continuing disclosure tab. A visual display of the timing agreed to by issuers for submitting annual financial information can be seen for most bonds issued on or after February 14, 2011.

Communicate other important information directly to investors.

The MSRB operates EMMA as a centralized platform for state and local governments to communicate important information to municipal bond investors and others. The EMMA website is the place to provide key financial disclosures as well as other documents to investors.

On a voluntary basis, issuers can provide:

- Pre-sale documents
- Bank loan or other alternative financing disclosures
- Notices of sale
- Advertisements announcing an upcoming new issue
- Official statements
- Advance refunding documents
- 529 plan and ABLE program disclosure documents
- Quarterly/monthly financial information
- Budgets
- Accounting standard used to prepare annual financials
- Material provided to rating agency or credit/liquidity provider
- Interim/additional financial information/ operating data
- Derivative or other similar transaction, and
- Other voluntary information

About EMMA®

The Municipal Securities Rulemaking Board (MSRB) provides municipal market transparency through its Electronic Municipal Market Access (EMMA®) website, the official repository for information on all municipal bonds. The MSRB protects investors, state and local governments and other municipal entities, and the public interest by promoting a fair and efficient municipal securities market. Learn more about the mission of the MSRB at msrb.org.

Subscribe to issuer education and EMMA email updates from the MSRB.

Evaluate pricing.

Viewing real-time trade prices on EMMA can help issuers in determining pricing for a new issue of municipal securities. Export trade data for analysis using EMMA Trade Monitor; identify, monitor and compare yields and prices of similar issues that have recently sold with EMMA's new issue calendar; and view a calendar of macroeconomic developments that could have an impact on the market in EMMA's Tools and Resources area.

Use EMMA to schedule email reminders for recurring financial disclosures. Read more.

Learn about the structure of other bond transactions.

EMMA houses approximately 350,000 official statements and other primary market documents. These can be found using an issuer's name or a CUSIP number.

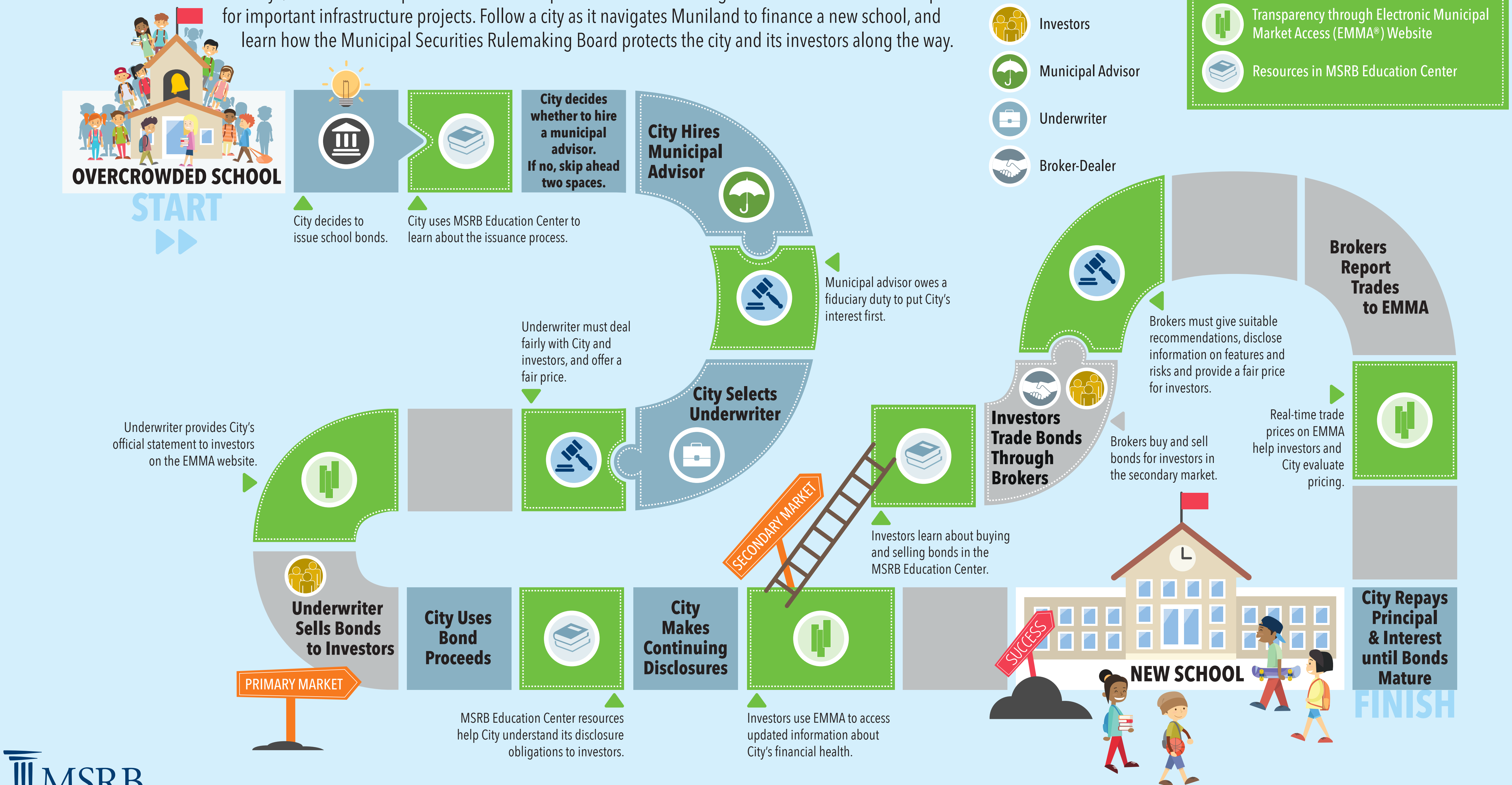
Track variable rate demand obligations.

EMMA is the only centralized, comprehensive database of current interest rate resets for variable rate demand obligations (VRDOs). State and local governments can use EMMA to compare the pricing of their VRDOs with other VRDOs.

Subscribe to issuer education and EMMA email updates from the MSRB.

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.



MSRB

This publication is intended for general illustrative purposes only. To learn more about the municipal bond issuance process, municipal market trading activity or MSRB rules, visit the MSRB website at MSRB.org.

MSRB
Municipal Securities Rulemaking Board

ANNUAL REPORT 2017

Working Together to Safeguard Market Integrity

MSRB STRATEGIC GOALS

- Facilitate industry understanding of and compliance with MSRB rules through rule guidance, clarification and education in support of market efficiency.
- Further evolve the EMMA website into a comprehensive transparency platform that meets the needs of municipal market participants and the public.
- Optimize the use and dissemination of municipal market data to further support market transparency and inform regulation.
- Leverage the MSRB's unique perspective and expertise as an independent self-regulatory organization.
- Promote financial sustainability by assessing fair and equitable fees, diversifying funding sources and spending responsibly.

Read more about the goals.

CONTENTS


Lucy Hooper

MESSAGE FROM THE CHAIR

As the self-regulatory organization (SRO) dedicated to safeguarding the integrity of the municipal securities market, the Municipal Securities Rulemaking Board (MSRB) depends on the expertise and insight of market participants who represent investors, communities that issue bonds and the financial professionals who serve them. The 21 members of our Board of Directors have a wealth of experience from their time managing an investment portfolio, overseeing bond issuance in the city finance office, advising issuers on complex problems, structuring transactions at an underwriting desk and everywhere important decisions are being made about municipal securities.

Our market is unique. No other capital market attracts such a large percentage of individual investors or encompasses so many borrowers, with such diverse needs — from billion-dollar state financings to $250,000 fire station improvement bonds. And because many of the investors in these public projects are seeking long-term investments, most municipal securities trade less frequently than equities.

The size, diversity and trading patterns of our market call for a **unique and specialized** approach to regulation (see p. 2). The SRO model leverages the benefits of public and private partnership, with government providing a clear statutory mandate and strong oversight, and industry practitioners contributing insight into the practical realities of developing and implementing regulatory objectives.

The MSRB's **participatory and responsive** rulemaking process includes multiple opportunities to collect public input that helps us understand and balance the varied perspectives of market participants when developing rules (see p. 4).

The MSRB's activities in support of a fair, efficient and transparent municipal securities market go beyond rulemaking. As an SRO, we are able to provide free access to municipal market data and documents that are fundamental to investors. We operate critical market transparency systems, including the Electronic Municipal Market Access (EMMA®) website, and are **innovative and nimble** in leveraging next-generation technology, industry partnerships and market feedback to meet the market's evolving information needs (see p. 8).

Part of our responsibility as the municipal market's SRO is to provide **objective and authoritative** educational resources that support understanding of market practices and regulations (see p. 10). The role of the MSRB, with its ability to reflect and address the market's complexities, is fundamental to market oversight. We have the obligation to call attention to issues, which, while potentially outside our regulatory jurisdiction, could have an impact on the integrity of the market and affect investors or municipal entities. We facilitate dialogue among market stakeholders and build consensus about how to enhance the fairness, efficiency and transparency of our market.

As an SRO, the MSRB must be responsive to changes in the municipal securities market and the environment in which it operates. We periodically conduct a comprehensive review of our strategic priorities, which includes solicitation of input from market stakeholders and participants. In 2017, the MSRB established new multi-year strategic goals that pivot the organization from the heavy rulemaking agenda of the prior five years to one that emphasizes, among other things, the MSRB's role as an SRO, regulatory compliance support and a continued focus on the EMMA website.

The many important functions of the municipal market to investors, our local communities and to our national economy depend on all of us working together to safeguard market integrity. We appreciate your continued participation and welcome your input as we advance our Congressionally mandated mission to protect investors, state and local government issuers, other municipal entities and the public interest.

Sincerely,

Lucy Hooper

Lucy Hooper, MSRB Board Chair

Unique and Specialized

Appropriate and effective regulation of the municipal securities market requires specialized knowledge of the many characteristics that distinguish it from other capital markets, from the strong participation of individual investors, to the number and diversity of municipal securities issuers. To address this need, Congress created the MSRB in 1975 as a self-regulatory organization governed by a Board of Directors with the collective expertise to oversee this critical capital market and address potentially harmful market practices with practical, tailored and effective regulation. In 2017, the MSRB applied its knowledge of the market to facilitate implementation of a key investor protection rule and capitalized on its ability to engage with municipal advisors to reinforce new professional qualification standards.


MSRB Municipal Securities Rulemaking Board

Regulatory Notice

2017-12

Publication Date
July 12, 2017

Stakeholders
Municipal Securities Dealers, Investors

Notice Type
Regulatory Announcement

Category
Fair Practice; Uniform Practice

Affected Rules
Rule G-15, Rule G-30

MSRB Provides Implementation Guidance on Confirmation Disclosure and Prevailing Market Price

Background
Effective May 14, 2018, amendments to Municipal Securities Rulemaking Board (MSRB) Rule G-15, on confirmation, clearance and other matters require brokers, dealers and municipal securities dealers (collectively, "dealers") to disclose additional information, including their mark-ups and mark-downs to retail customers on certain principal transactions. Amendments to Rule G-30, on prices and commissions, provide guidance on prevailing market price for the purpose of determining mark-ups and other Rule G-30 determinations.

These amendments are designed to enhance transparency for retail investors as to the costs of their transactions in municipal securities and to provide them with valuable access to pricing and related information about their municipal securities. To facilitate compliance with these important investor protection initiatives, the MSRB has prepared answers to frequently asked questions about the confirmation disclosure requirements and the prevailing market price guidance.

Important background material related to the confirmation disclosure and prevailing market price guidance rulemaking process, much of which is referenced in the frequently asked questions, is listed below.

- MSRB Approval Notice (November 29, 2016)
- SEC Approval Order (November 23, 2016)
- MSRB Response to Comments (November 14, 2016)
- MSRB Amendment No. 1 (November 14, 2016)
- MSRB Filing of Proposed Rule Change (September 1, 2016)

To further support dealers' compliance with the new requirements, the MSRB invites additional questions and may revise this guidance over time. For the most up-to-date version of the guidance, view the "Interpretive Guidance" tab of Rule G-15. The most recent date for the content of an

Receive emails about MSRB regulatory notices.

© 2017 Municipal Securities Rulemaking Board. All rights reserved. msrb.org | emma.msrb.org 1

Guidance on Mark-Up Disclosure

In advance of the implementation of landmark regulations that will enhance the transparency of costs associated with municipal securities transactions for retail investors, the MSRB developed extensive written guidance to assist municipal securities dealers in preparing to comply. Amendments to MSRB Rule G-15 will require dealers to disclose additional information on retail customer confirmations for a specified class of principal transactions, including the dealer's mark-up or mark-down, as determined from the prevailing market price of the security.

The MSRB continues to work in coordination with the Financial Industry Regulatory Authority (FINRA), which has adopted similar confirmation disclosure rules and corresponding guidance for other areas of the fixed income markets. While the two regulators' approaches are intentionally well harmonized, the MSRB's guidance addresses some matters differently based on differences between the municipal securities market and other fixed income markets. The MSRB welcomes additional questions from dealers and, in response, may update, add to or revise its guidance.

Municipal Advisor Regulatory Framework

In 2017, the MSRB largely completed the foundational rules for municipal advisors as mandated by the Dodd-Frank Wall Street Reform and Consumer Protection Act and shifted its focus to enhanced efforts to help municipal advisors understand and comply with the new rules. In particular, the MSRB prioritized communicating with the municipal advisor community and supporting compliance with the first mandatory qualifying examination for municipal advisor professionals.

MUNICIPAL ADVISORS BY THE NUMBERS

3,049 qualified **municipal advisor professionals**

123 dually registered municipal advisors/ broker-dealers + **382** non-dealer municipal advisors = **505 municipal advisor firms**

184 sole-practitioner municipal advisor firms

As of September 19, 2017

The MSRB's Municipal Advisor Representative Qualification Examination (Series 50 exam) is a required baseline test of competency for professionals who provide advice on the issuance of municipal securities or use of municipal financial products. The MSRB provided a one-year grace period, ending September 12, 2017, for individuals to take and pass the exam while continuing to conduct municipal advisory business. Throughout this grace period, the MSRB provided resources and assistance to firms and individuals preparing to take the exam, including educational webinars and answers to frequently asked questions. To ensure that municipal advisors remain current in their industry knowledge, the MSRB established continuing education requirements effective in 2018.

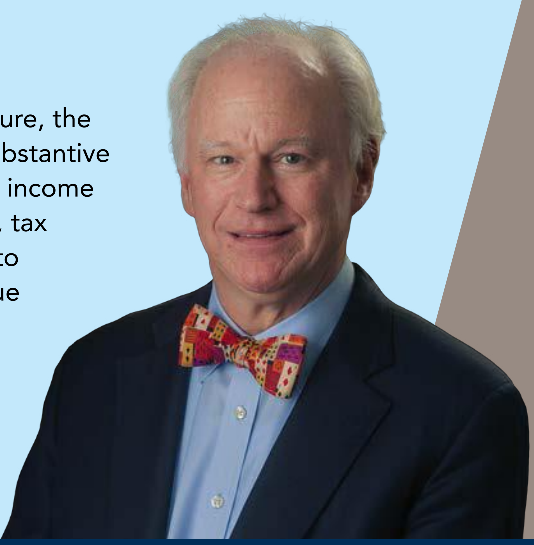
The MSRB published guidance comprehensively summarizing the regulatory framework for municipal advisors and addressing how the framework applies to solicitor municipal advisors, who solicit municipal entities or obligated persons for business on behalf of certain other financial professionals. The MSRB also provided guidance addressing the applicability of Rule G-42, on municipal advisor standards of conduct, to several scenarios that may arise in connection with the issuance of municipal securities for a conduit borrower.

In an important development last year related to the municipal advisor regulatory framework, the MSRB prevailed in a legal challenge to the application of its pay-to-play rule, Rule G-37, to municipal advisors. A year earlier, the MSRB required municipal advisors to become subject to its pay-to-play rule, which has long applied to dealers and successfully protected the integrity of the municipal securities market for 23 years. In July 2017, the United States Court of Appeals for the Sixth Circuit dismissed a legal challenge to this change by the Tennessee and Georgia Republican Parties, and the New York State Republican Committee for lack of standing. As a result of the court's ruling, the MSRB will continue to protect the municipal market against quid pro quo corruption, and the appearance of this type of corruption, by minimizing the influence of political contributions in the awarding of municipal advisory business by state and local governments.

VIEW FROM THE BOARD

"From the earliest stages of discussions about mark-up disclosure, the MSRB Board and the staff have taken into account and addressed the substantive differences between the municipal bond market and the corporate fixed income markets, especially recognizing the diversity of issuers, credits, structure, tax treatment and secondary market trading activity. The MSRB has sought to provide tailored implementation guidance to the market and will continue to be a leader in its efforts to provide transparency to all investors, and especially individual investors."

~ Arthur Miller, MSRB Board Vice Chair
Goldman Sachs & Co.



Participatory and Responsive

The MSRB recognizes that to be effective, its rules must be responsive to market changes and consistent, where appropriate, with rules of other financial market regulators.

The MSRB relies on input from market stakeholders in the rulemaking process, which includes multiple opportunities to comment informally and formally on regulatory proposals, and to share with the MSRB data and information on the potential costs and benefits of proposed new or amended rules. The MSRB applies a formal economic analysis at the earliest stage of the rulemaking process to inform the choice, design and development of policy options before any specific regulatory course has been determined.

The MSRB often amends its regulatory proposals in light of comments received. For example, in 2017 the MSRB issued two requests for comment on draft rule amendments to clarify the obligations of municipal securities dealers to obtain CUSIP numbers for new issue securities sold in private placement transactions, including direct purchases, and require all municipal advisors to obtain CUSIP numbers when they are engaged for competitive sales of municipal securities. The proposed rule, approved by the Securities and Exchange Commission (SEC) in late 2017, includes a principles-based exception that was recommended by commenters.

In some cases, the MSRB may not pursue rulemaking as a result of comments received. For example, as a result of questions and considerations raised by commenters, the MSRB withdrew a proposed rule change related to the handling of transactions below the issuer-established minimum denomination and plans to publish the findings of its extensive research and engagement with stakeholders about this topic.

Retrospective Review

The MSRB recognizes that to be effective, its rules must be responsive to market changes and consistent, where appropriate, with rules of other financial market regulators. To address these imperatives, the MSRB proactively evaluates its existing rules, and proposes amendments as appropriate. As part of this ongoing commitment to retrospective rule review, the MSRB published a concept proposal to solicit input from market participants on MSRB rules on primary offering practices to ensure that the rules continue to account for changes in how municipal securities are underwritten and sold. A concept proposal is an important way for the MSRB to determine whether

RULEMAKING PROCESS

Issue Identification and Economic Analysis
The MSRB identifies an issue in the municipal market that may warrant rulemaking.

Request for Comment
The MSRB solicits public comment on draft rule proposals and concept releases.

SEC Filing
The MSRB files proposed changes to its rules with the SEC, which seeks additional public comment.

Rule Approval
The SEC approves additions or changes to MSRB rules, which are announced in a regulatory notice.

Upcoming Change
MSRB rules typically go into effect at a specified future date.

VIEW FROM THE BOARD

“Some of the most valuable information I receive about potential market initiatives are the comment letters from industry participants. I read all these letters and especially helpful are comments from individuals, or small shops that provide a perspective that may not be represented by the Board’s expertise. That diversity of comments is critical to ensuring all voices are heard and considered in the process. The last thing we want to do is make a decision in a vacuum.”

~ Richard Ellis, MSRB Board Audit Committee Chair
Utah Educational Savings Plan

there are in fact issues to be addressed that can be followed by proposed rule changes or alternative approaches such as providing guidance.

In 2017, the MSRB identified several rules that merited updates or streamlining, or additional consistency with other regulators. For example, to improve the ability of investors and issuers to understand what steps are available to them if they have a complaint about their municipal finance professional, the MSRB extended and modernized its customer complaint rules. Amended MSRB Rule G-10 now applies to both municipal advisors and municipal securities dealers, has increased focus on investor and client education, and is more closely aligned with the requirements of other regulators.

Amendments to MSRB Rule G-12, on uniform practice, regarding close-out procedures for failed municipal securities transactions, compress the timing to initiate and complete an inter-dealer close-out. The MSRB adopted commenters’ recommendation to shorten the timeframe from 90 calendar days to 10, with an allowance for an additional 10-calendar-day extension at the buyer’s discretion. The MSRB also updated its uniform practice rules in support of the securities industry’s transition to a shortened two-day settlement cycle (“T+2”) in September 2017.

To promote a uniform standard and reduce confusion and risk to investors regarding customer account transfers and allow investors to more easily transfer assets to the dealer of their choice, the MSRB amended Rule G-26 that, when effective in January 2018, updates the rule to better harmonize it with the customer account transfer rules of other self-regulatory organizations.

2017 REQUESTS FOR COMMENT

7 requests for **comment**

2 rulemaking proposals went through multiple rounds of public comment

74 comment letters received on draft proposals

29 comment letters received on proposed rules **filed with the SEC**

BOARD OF DIRECTORS 2017–2018

OFFICERS

Lucy Hooper
Chair

Arthur Miller
Vice Chair

PUBLIC REPRESENTATIVES

J. Anthony Beard
Chief Financial Officer
City of Atlanta
Atlanta, Georgia

Robert Clarke Brown
Treasurer
Case Western Reserve University
Cleveland, Ohio

Julia H. Cooper
Director of Finance
City of San José
San José, California

Ronald Dieckman
Retired
Holly Springs, North Carolina

Richard K. Ellis
Senior Director of Compliance and Communications
Utah Educational Savings Plan
Salt Lake City, Utah

William M. Fitzgerald, Sr.
Founder
Fitzgerald Asset Management LLC
Chicago, Illinois

Richard Froehlich
Chief Operating Officer and General Counsel
New York City Housing Development Corporation
New York, New York

Manju S. Ganeriwala
Treasurer
Commonwealth of Virginia
Richmond, Virginia

Lakshmi Kommi
Director of Debt Management
City of San Diego
San Diego, California

Christopher M. Ryon
Managing Director
Thornburg Investment Management
Santa Fe, New Mexico

Donna Simonetti
Retired
Portland, Maine

SECURITIES FIRM REPRESENTATIVES

Gary Hall
Senior Managing Director, National Head of Investment Banking and Equity Partner
Siebert Cisneros Shank & Co., LLC
Oakland, California

Lucy Hooper, Chair
Executive Vice President
Davenport & Company LLC
Richmond, Virginia

Arthur Miller, Vice Chair
Managing Director
Goldman Sachs & Co.
New York, New York

Beth Wolchock
Managing Director and Municipal Principal
Oppenheimer & Co. Inc.
Stamford, Connecticut

MUNICIPAL ADVISOR REPRESENTATIVES

Renee Boicourt
Managing Director and Partner
Lamont Financial Services Corporation
Fairfield, New Jersey

Jerry W. Ford
President
Ford & Associates, Inc.
Tampa, Florida

Seema Mohanty
Founder and Managing Director
Mohanty Gargiulo, LLC
New York, New York

BANK REPRESENTATIVES

Kemp J. Lewis
Senior Managing Director
Raymond James & Associates, Inc.
New York, New York

Edward J. Sisk
Managing Director, Head of Public Finance
Bank of America Merrill Lynch
New York, New York

Dale Turnipseed
Executive Director
J.P. Morgan
New York, New York

MSRB SENIOR MANAGEMENT

Lynnette Kelly
Executive Director

Mark T. Kim
Deputy Executive Director and Chief Operating Officer

Michael L. Post
General Counsel

John A. Bagley
Chief Market Structure Officer

Jennifer A. Galloway
Chief Communications Officer

Nanette Lawson
Chief Financial Officer

Gail Marshall
Chief Compliance Officer

Ritta McLaughlin
Chief Education Officer

Beth Wolfe
Chief Risk Officer

BEYOND RULEMAKING

Innovative and Nimble

Not every market challenge is best addressed through creating or amending rules. Often, the MSRB can leverage technological solutions to promote a fairer and more efficient market. As the organization behind the Electronic Municipal Market Access (EMMA®) website, the official source of municipal securities data and documents, the MSRB invests in information technology to enhance market transparency and address evolving market needs.

The MSRB created the EMMA website in 2008 as a resource for investors seeking information when buying or selling a particular bond. Now, investors and other market participants are also seeking a broader view of market activity to inform their decision-making. To meet that need, the MSRB has been integrating new tools and resources on EMMA — in some cases by partnering with the private sector — to maximize their availability and enable investors and others to easily explore and assess market-wide trends.

Yield Curves and Indices

This year, the MSRB partnered with third-party providers to offer free public access to municipal market yield curves and indices on EMMA. EMMA includes a daily yield curve from the Associated Press (AP), Bloomberg's BVAL Municipal AAA Curve and historical index data for five different indices from Standard & Poor's (S&P). Each market indicator on EMMA is based on tax-exempt bonds and can be useful for understanding the general level and direction of municipal bond interest rates and comparing the relative yields of specific municipal securities.

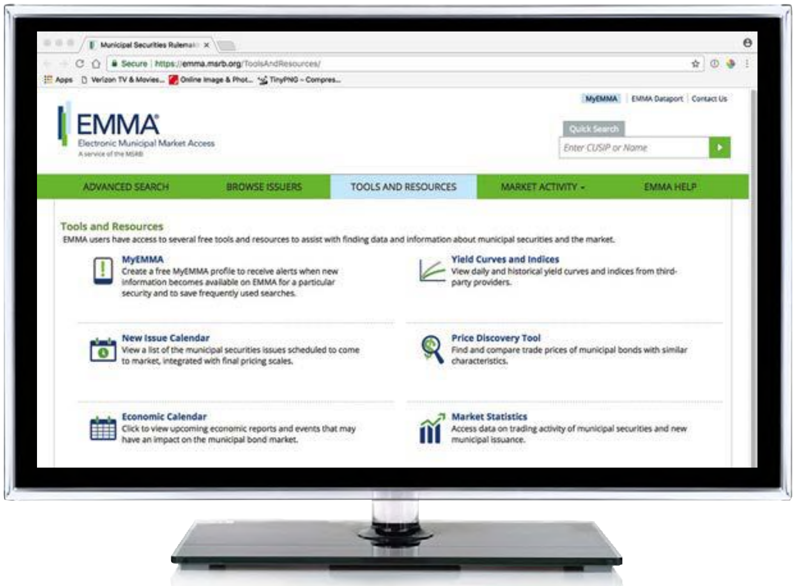
Market-wide Statistics

To further support analysis of industry trends, the MSRB enhanced its extensive set of municipal market statistics on EMMA with new data that have not previously been publicly available. The expanded statistics, which are refreshed daily, provide a state-by-state view of trading in the primary and secondary market and a dynamic list of the top 20 most actively traded securities and most actively traded issuers by par amount or number of trades.

New Issue Calendar

Also among the free tools and resources available on the EMMA website is a new issue calendar, provided by a third party, listing the municipal bond issues scheduled for sale to investors as well as pricing of recently sold issues. Investors interested in gaining access to municipal bonds in the primary market can use the calendar to research upcoming offerings. Municipal entities and their municipal advisors can use the calendar to inform timing on new bond issues, as well as to identify and compare prices of other recently sold bonds.

The MSRB must evaluate and prioritize many possible enhancements to EMMA's usefulness and usability. To inform future usability enhancements, the MSRB convened a year-long series of focus groups with diverse users. In the year ahead, the MSRB plans to continue to evolve the EMMA website into a comprehensive transparency platform that meets the needs of municipal market participants and the public.



VIEW FROM THE BOARD

"Due to the maturity and scope of EMMA, municipal market participants now predominantly rely on it for municipal disclosures, eliminating the need, in our case, for a separate City investor information site. All bond offerings and bank loans of the City are accessible on EMMA's issuer page feature, allowing us to communicate with our bondholders by providing all our disclosures in one place on a national platform. Smaller agencies with limited debt portfolios, particularly, have an opportunity to communicate with investors and benefit from a larger audience and potentially more cost-effective means than managing separate investor information sites."

~ Lakshmi Kommi, City of San Diego

Objective and Authoritative

A fair and efficient municipal market depends on all participants understanding and respecting the rules of fair play. This year, the MSRB expanded its catalog of interactive, online courses designed to strengthen knowledge of MSRB rules and how to apply them in real-world scenarios. MuniEdPro® courses explore best execution of transactions in municipal securities, core standards of conduct for municipal advisors and suitability of recommendations, among other topics. Each MuniEdPro® course is available for continuing professional education credit and can be used to help fulfill the firm-element component of continuing education requirements for regulated entities, depending on the firm's annual written training plan.

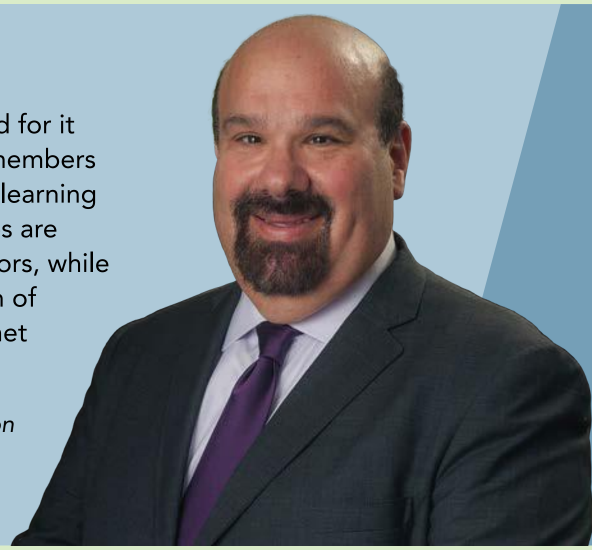
Market Education

In addition to MuniEdPro®, the MSRB provides an extensive multimedia library of free and objective educational resources in its online MSRB Education Center. These resources help ensure municipal bond investors and issuers know what to expect from their financial professionals and have the tools they need to make informed decisions. For example, a "Municipal Market 101" publication follows a city as it finances a new school, illustrating each step in the process, from making the decision to borrow to repaying investors when the bonds mature These resources are particularly helpful for those on Capitol Hill who are unfamiliar with the municipal market.

VIEW FROM THE BOARD

A complex market requires educational materials designed for it that recognize the varied expertise across the market. MSRB Board members clearly understood this complexity when we reviewed concepts for a learning management system that is now known as MuniEdPro®. Some courses are focused on regulated entities like broker-dealers and municipal advisors, while others are suited for issuers and investors. The MSRB has the breadth of knowledge and experience to undertake the mission of filling an unmet need for market education."

~ Richard Froehlich, New York City Housing Development Corporation



Market Leadership

As the municipal market's self-regulatory organization, the MSRB has a unique perspective on market practices that can help or harm the integrity and fairness of the market. The MSRB closely monitors market practices, elevating best practices that support market integrity and flagging troubling practices that are potentially detrimental to the fairness, efficiency and transparency of the market. This year, the MSRB brought attention to the long-standing practice of an issuer designating underwriter's counsel, which can undermine market integrity if the designated counsel feels beholden to the issuer and fails to scrutinize the issuer's disclosure documents with the necessary independence, rigor and expertise.

The MSRB also published a market advisory to increase awareness among municipal bond issuers about the practice of selective disclosure and of the importance of disclosing material information fairly, equitably and in the public domain.

The MSRB contributed its market expertise to the ongoing national dialogue about closing the nation's infrastructure gap by publishing a primer on the role of municipal securities in infrastructure finance and considerations for policymakers. The MSRB intends to further leverage its expertise to advance the integrity and efficiency of the municipal market by publishing white papers and commentary, and communicating to policymakers and others about the importance of informed regulation.

2017 MSRB EDUCATION AND OUTREACH

Spoke at **100 industry events** reaching approximately **13,000 market participants**

MuniEdPro®
A service of the MSRB

Made **10 MuniEdPro® courses** available, including a **free course** for **investors** and for **issuers**

Held **13 webinars** for more than **3,600 participants**

Awarded **CPE credit** to over **2,000 professionals**

STEWARDSHIP AND SERVICE

Diversity and Community

The MSRB is proud of its commitment to diversity and community engagement. MSRB Board members are representative of the variety of professionals working in the municipal securities market, with strong gender and minority representation both on the Board and among employees. Board members and employees are passionate about community involvement and careful stewardship of resources.

Municipal Finance Day

For the sixth consecutive year, the MSRB partnered with the Municipal Forum of New York on Municipal Finance Day, a day-long immersion in municipal finance regulation and policymaking for New York City public high school graduates participating in the 2017 Urban Leadership Fellows Program. The program helps students explore careers in finance through a paid summer internship. The MSRB planned a day-long agenda in Washington, DC, where program participants merged the practical skills gained at their internships with an understanding of the legal, regulatory and policy implications facing the municipal securities market. Featured speakers at the July 2017 Municipal Finance Day included Representative Gwen Moore of Wisconsin; Securities and Exchange Commission Nominee Hester Peirce, Director, Financial Markets Working Group and Senior Research Fellow, Mercatus Center at George Mason University; and MSRB Executive Director Lynnette Kelly.

LEED Certification

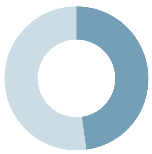
In 2017, the MSRB's office received Gold-level LEED Certification by the U.S. Green Building Council®, which indicates a strong commitment to "Leadership in Energy and Environmental Design." LEED®-certified buildings are resource efficient, use less water and energy and reduce greenhouse gas emissions. The MSRB prioritized environmental considerations in the design and construction of the office space, located in downtown Washington, DC.

VIEW FROM THE BOARD

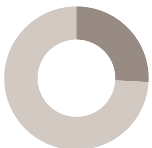
"The municipal market includes a diverse group of firms, issuers and investors that range in size, geographic location, specialties and the nature of their financing needs. All of them have unique perspectives on the market, its participants, and their clients and customers. It's important for the MSRB to hear all those views and opinions in order to maintain a solid regulatory framework that works across the marketplace. Understanding the market in its totality helps the MSRB's governance and regulatory activities go beyond a one-size-fits all approach."

~ J. Anthony Beard, MSRB Board Nominating and Governance Committee Chair City of Atlanta

DIVERSITY AND REPRESENTATION ON THE MSRB BOARD OF DIRECTORS



10 of 21
members are **women and/or minorities**



13 states
are represented

Charitable Giving

Through its employee council, the MSRB supports a variety of community organizations. This year, MSRB staff held a winter coat drive, adopted families in need during the holiday season and collected books for low-income children. MSRB employees also collected back-to-school supplies and toiletries for homeless members of the DC community.

Financial Sustainability

Lynnette Kelly

In support of corporate transparency, each year the MSRB publishes financial highlights and full audited financial statements. As a self-regulatory organization, the MSRB receives no taxpayer dollars to carry out our Congressionally mandated mission, as illustrated in the funding sources displayed in our financial highlights. Our operations are self-funded by the industry our organization was formed to regulate. We strive to appropriately allocate funding across the diverse universe of regulated entities in a manner that ensures fairness and long-term financial sustainability of the MSRB.

During FY 2017, the MSRB took two important steps to recalibrate the assessment of fees on regulated entities in the interest of fairness. First, the MSRB established an annual underwriting fee for dealers acting as underwriters to 529 college savings plans, which have long been subject to MSRB rules and the beneficiaries of MSRB transparency systems and education resources. Second, the MSRB increased the annual municipal advisor professional fee to $500 from $300 in light of the substantial costs associated with developing and maintaining a regulatory regime for municipal advisors. Both fees are effective in FY 2018. We continue to periodically reevaluate all fees with the aim of fairly and equitably allocating fees across the entities that fall under the organization's regulatory mandate.

The MSRB is dedicated to managing resources responsibly and maintaining sufficient reserves to operate without interruption, regardless of market conditions. The majority of our revenues are based on inherently volatile market conditions, which makes annual budgeting an art as much as a science. We strive to make reasonable predictions, such as for bond volume, which remains challenging given economic factors, the unpredictability of the direction of interest rates, the impact on refundings and new-money issuance, alternative sources of capital for issuers, and public policy changes including tax reform.

The MSRB's mission requires significant investment in technology, other fixed assets and people to develop rules and maintain market transparency and surveillance systems that ensure market integrity. FY 2017 expenses reflect these priorities and align with our statutory mandate to protect investors, state and local government issuers, other municipal entities and the public interest. However overall expenses remained relatively flat in FY 2017 compared to the prior year, reflecting our rigorous cost controls.

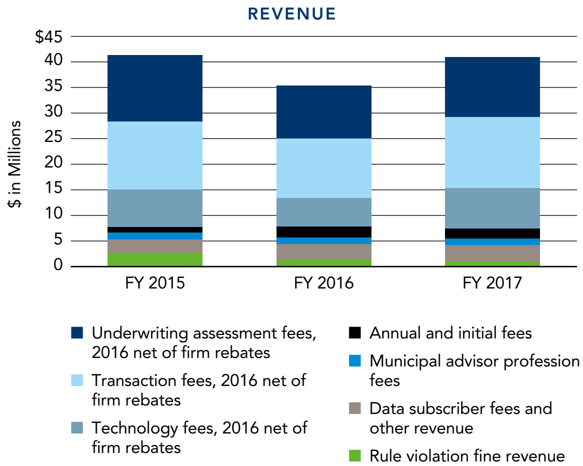
At the start of FY 2018, the MSRB further demonstrated our commitment to transparency and public accountability by releasing for the first time a public budget summary. The summary describes the alignment between the organization's mission-driven activities and projected revenues and spending. The MSRB intends to continue its diligent financial stewardship while evaluating ways to diversify its funding sources in the year ahead.

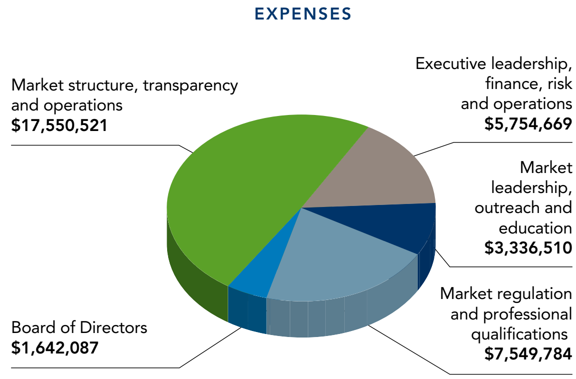
Sincerely,

Lynnette Kelly

Lynnette Kelly, Executive Director

2017 Financial Highlights



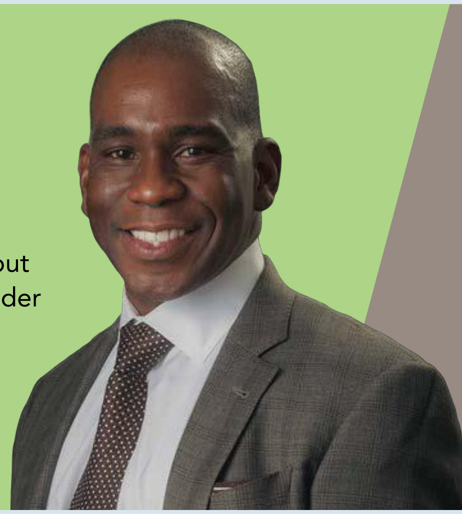


September 30	2017	2016	2015
Statements of Financial Position			
Total Assets	$ 84,511,116	$ 79,547,955	$ 74,829,468
Total Liabilities	10,074,504	10,233,151	5,314,474
Total Net Assets — Unrestricted	74,436,612	69,314,804	69,514,994
Statements of Activities			
Revenue:			
Underwriting assessment fees, net of firm rebates of $1.8 million in 2016	11,629,582	10,367,501	12,990,546
Transaction fees, net of firm rebates of $2.2 million in 2016	13,889,042	11,632,218	13,313,660
Technology fees, net of firm rebates of $1.5 million in 2016	7,950,238	5,576,543	7,268,324
Annual and initial fees	2,024,234	2,144,609	1,142,114
Municipal advisor professional fees	1,196,700	1,225,200	1,336,168
Data subscriber fees and other revenue	3,270,845	3,221,828	2,624,448
Rule violation fine revenue	994,738	1,219,081	2,652,316
Total Revenue	40,955,379	35,386,980	41,327,576
Expenses	35,833,571	35,587,170	32,201,607
Change in Net Assets	$ 5,121,808	$ (200,190)	$ 9,125,969
Statements of Cash Flows			
Cash Provided from Operating Activities	$ 9,452,952	$ 9,486,966	$ 12,303,844
Investment in Technology Systems and Other Fixed Assets	$ 5,132,018	$ 8,826,669	$ 4,709,614

VIEW FROM THE BOARD

“The Board’s Finance Committee helps the Board fulfill its oversight responsibility related to the budgeting process and monitoring financial performance. We help ensure the MSRB meets our Congressionally mandated responsibilities, policy directives and financial objectives. The motivation for being financially prudent is not only to ensure that the MSRB is fiscally sound but also to fulfill the obligation we owe to the industry since it is the ultimate provider of our resources.”

~ Gary Hall, MSRB Board Finance Committee Chair
Siebert Cisneros Shank & Co., LLC



Municipal Securities Rulemaking Board

Financial Statements as of and for the Years Ended September 30, 2017 and 2016

pwc

Report of Independent Auditors

To the Board of Directors of
The Municipal Securities Rulemaking Board

We have audited the accompanying financial statements of the Municipal Securities Rulemaking Board (the MSRB), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and of cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the MSRB's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the MSRB's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the MSRB as of September 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the MSRB as of September 30, 2016 and for the year then ended were audited by other auditors whose report, dated December 15, 2016, expressed an unmodified opinion on those statements.

PricewaterhouseCoopers LLP

December 15, 2017

PricewaterhouseCoopers LLP, 1800 Tysons Blvd., Suite 900, McLean, VA 22102
T: (703) 918 3000, F: (703) 918 3100, www.pwc.com/us

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

As of September 30, 2017 and 2016	2017	2016
ASSETS		
Cash and cash equivalents	$ 1,864,342	$ 3,752,266
Investments	61,803,743	56,117,474
Accounts receivable — net	5,596,140	5,860,917
Prepaid and other assets	1,460,666	1,026,330
Accrued interest receivable	272,844	216,874
Fixed assets — net	13,513,381	12,574,094
TOTAL	$84,511,116	$79,547,955
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 1,937,170	$ 3,258,205
Accrued vacation payable	705,729	683,095
Deferred compensation	270,248	140,805
Deferred revenue	250,648	278,210
Deferred rent	6,910,709	5,872,836
Total liabilities	10,074,504	10,233,151
Undesignated net assets	67,811,054	57,564,027
Designated technology renewal fund	6,625,558	11,750,777
Net assets — unrestricted	74,436,612	69,314,804
TOTAL	$84,511,116	$79,547,955

See notes to financial statements.

STATEMENTS OF ACTIVITIES

For the years ended September 30, 2017 and 2016	2017	2016
REVENUE:		
Underwriting assessment fees, net of firm rebates of $1.8 million in 2016	$11,629,582	$10,367,501
Transaction fees, net of firm rebates of $2.2 million in 2016	13,889,042	11,632,218
Technology fees, net of firm rebates of $1.5 million in 2016	7,950,238	5,576,543
Annual and initial fees	2,024,234	2,144,609
Data subscriber fees	1,882,413	1,833,931
Municipal advisor professional fees	1,196,700	1,225,200
Rule violation fine revenue	994,738	1,219,081
Other income	1,388,432	1,387,897
Total Revenue	40,955,379	35,386,980
EXPENSES:		
Market regulation and professional qualifications	7,549,784	7,874,389
Board of Directors	1,642,087	1,620,405
Market structure, transparency and operations	17,550,521	17,387,940
Market leadership, outreach and education	3,336,510	2,843,055
Executive leadership, finance, risk and administration	5,754,669	5,861,381
Total Expenses	35,833,571	35,587,170
CHANGE IN NET ASSETS	5,121,808	(200,190)
NET ASSETS — Beginning of year	69,314,804	69,514,994
NET ASSETS — End of year	$74,436,612	$69,314,804

See notes to financial statements.

STATEMENTS OF CASH FLOWS

For the years ended September 30, 2017 and 2016	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$5,121,808	$ (200,190)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,133,849	4,215,115
Net loss (gain) on sale and disposal of long-lived assets	58,882	(26,196)
Net amortization of investment premiums and discounts	157,166	178,641
Unrealized loss (gain) on investments	363,522	(52,712)
Realized loss on investments	1,901	2,643
Bad debt expense	105,255	45,906
Changes in assets and liabilities:		
Accounts receivable	159,522	(325,954)
Prepaid and other assets	(434,336)	713,751
Accrued interest receivable	(55,970)	17,285
Accounts payable and accrued liabilities	(1,321,035)	1,602,911
Accrued vacation payable	22,634	709
Deferred compensation	129,443	(188,802)
Deferred revenue	(27,562)	4,791
Deferred rent	1,037,873	3,499,068
Net cash provided by operating activities	9,452,952	9,486,966
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of fixed assets	–	30,741
Purchases of fixed assets	(5,132,018)	(8,826,669)
Purchases of investments	(23,238,858)	(21,581,368)
Maturities of investments	17,030,000	23,261,582
Net cash used in investing activities	(11,340,876)	(7,115,714)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,887,924)	2,371,252
CASH AND CASH EQUIVALENTS, Beginning of year	3,752,266	1,381,014
CASH AND CASH EQUIVALENTS, End of year	$1,864,342	$3,752,266
SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Like-kind equipment exchange	$ 2,500	$ 10,185

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016

1. NATURE OF OPERATIONS

The Municipal Securities Rulemaking Board (MSRB) was created by Congress under the 1975 Amendments to the Securities Exchange Act of 1934, and the authority of the MSRB was expanded by further amendments to the Exchange Act under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (as amended, the Exchange Act). The MSRB is incorporated as a not-for-profit, non-stock corporation pursuant to the laws of the Commonwealth of Virginia. Under the Exchange Act, the MSRB is a self-regulatory organization with authority to adopt rules regulating the municipal securities activities of brokers, dealers and municipal securities dealers, and the municipal advisory activities of municipal advisors (collectively referred to as "regulated entities"), to promote fair and efficient markets and to protect investors, municipal entities, obligated persons and the public interest. The MSRB collects and disseminates market information, operates the Electronic Municipal Market Access (EMMA®) website to promote transparency and widespread access to information, and also engages in significant education, outreach and market leadership activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The MSRB's financial statements are prepared using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP).

Fair Value Measurement — The MSRB measures fair value in accordance with the provisions of Financial Accounting Standards Board (FASB) ASC 820, *Fair Value Measurement*, which provides a common definition of fair value for GAAP and International Financial Reporting Standards (IFRS), establishes a framework for measuring fair value, provides a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements.

Cash Equivalents — Highly liquid investments with maturities of three months or less at the date of purchase are considered to be cash equivalents.

Included in cash equivalents are short term money market mutual funds fully invested in securities backed by the full faith and credit of the United States (U.S.) Government with a total fair market value of $1.1 million and $2.9 million at September 30, 2017 and 2016, respectively.

Investments — Investments are stated at fair value. Investments consist of U.S. Treasury notes, obligations of U.S. Government sponsored entities that are fully guaranteed by the U.S. Government, certificates of deposit that are FDIC insured and a 457(f) Rabbi Trust that is comprised entirely of mutual funds.

Amortization and accretion of investment premiums and discounts are recorded as a component of investment return.

Accounts Receivable and Allowance for Doubtful Accounts — Accounts receivable are recorded at invoiced amounts and do not bear interest. Accounts receivable are reported net of an allowance for doubtful accounts in the statements of financial position. Management's estimate of the allowance for doubtful accounts is based on historical collection experience and ongoing account reviews. Account balances are written off against the allowance once the potential for recovery is considered remote.

Concentration of Credit Risk — Financial instruments that potentially subject the MSRB to a concentration of credit risk consist principally of cash, cash equivalents, accounts receivable and investments. The MSRB maintains cash primarily in non-interest-bearing accounts with FDIC insurance up to $250,000. MSRB investments are backed by the full faith and credit of the U.S. Government or its fully guaranteed government sponsored entities. Accounts receivable consist of fees due from regulated entities and data subscribers. At times, there are certain significant balances due from regulated entities but the MSRB does not believe it is exposed to any significant credit risk on these balances. Five regulated entities accounted for approximately one-third of total fee revenue in fiscal year 2017 and fiscal year 2016.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used in accounting for, among other things, realization of accounts receivable, the carrying value of investments and the impairment of long-lived assets. Actual results could differ from those estimates.

Reclassifications — Certain amounts included in the fiscal year 2016 financial statements have been reclassified to conform to the fiscal year 2017 presentation. For fiscal year 2016 functional expense reporting, depreciation expense previously allocated based on salaries has been reallocated based on program services benefitted.

Fixed Assets — Computer and office equipment, as well as furniture and fixtures are recorded at cost and are depreciated using the straight-line method over three years and five years, respectively. Acquisition costs include all expenses necessary to prepare the asset for its intended purpose including direct labor related costs. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease period or the estimated useful life of the improvement. Improvements and replacements of fixed assets are capitalized. Maintenance and repairs that do not improve or extend the lives of fixed assets are charged to expense as incurred.

When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts, and any gain or loss is recognized in the statements of activities.

Capitalized Software Costs — The MSRB capitalizes certain costs associated with computer software developed or obtained for internal use as part of the MSRB information systems. The MSRB's policy provides for the capitalization of external direct costs of materials and services and direct payroll-related costs incurred during the application development stage as well as costs related to upgrades and enhancements to this software provided it is probable that these expenditures will result in additional functionality. Costs associated with preliminary project stage activities, training, maintenance and post implementation stage activities are expensed as incurred.

After all substantial testing and deployment are completed and the software is ready for its intended use, internally developed software costs are amortized using the straight-line method over three years.

Impairment of Long-Lived Assets — The MSRB's policy is to review its long-lived assets, such as fixed assets and capitalized software costs, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment, if any, is recognized in the period of identification to the extent the carrying amounts of an asset exceeds the fair value of such asset.

Leases — The MSRB leases office space under non-cancelable operating leases and may include options that permit renewals for additional periods. Rent abatements and escalations are considered in the determination of straight-line rent expense for operating leases. Lease incentives are recorded as deferred rent and recognized as a reduction to rent expense on a straight-line basis over the lease term.

Deferred Revenue — Data Subscriber revenue is recognized on a straight-line basis over the service period. Deferred revenue represents the portion of payments received applicable to future periods.

Functional Allocation of Expenses — The costs of providing the various organizational activities and programs have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs benefitted.

Reciprocal Transactions — The MSRB receives municipal credit ratings data for municipal securities in exchange for its data subscription service feeds. The revenue and expenses are recognized in the Statement of Activities at the same data subscription fee rate that other data subscribers pay for similar services. Revenue and expenses recognized totaled $132,000 for the years ended September 30, 2017 and September 30, 2016.

Revenue Recognition:

Underwriting Assessment Fees — The underwriting assessment fee on municipal securities dealers acting as underwriters is required to be paid per Rule A-13 and is equal to $0.0275 per $1,000 of the par value of municipal securities purchased by underwriters from an issuer as part of a new issue, effective January 1, 2016. Prior to January 1, 2016, the underwriting assessment fee was $0.03 per $1,000 of the par value. Commercial paper and municipal fund securities are exempt from the assessment.

Revenue from underwriting assessment fees is recognized in the month the underwriter files the offering document with the MSRB. In fiscal year 2016, underwriting revenue is disclosed net of rebates of $1.8 million. Rebates are determined at the discretion of the Board.

Transaction Fees — The transaction fee on municipal securities dealers is required to be paid per Rule A-13 and is $0.01 per $1,000 par value of bonds sold and is levied on both customer and interdealer transactions as specified in Rule A-13. As described in this rule, certain transactions are exempt from this fee.

Transaction fee revenue is recognized as sales transactions are settled. In fiscal year 2016, transaction fees revenue is disclosed net of rebates of $2.2 million. Rebates are determined at the discretion of the Board.

Technology Fees — The technology fee on municipal securities dealers is required to be paid per Rule A-13 and is $1.00 per municipal security trade for all customer and interdealer sales transactions. As further described in Note 12, the Board has designated the use of the funds generated by these fees through December 31, 2015 to update, maintain and replace its technology systems.

Technology fee revenue is recognized as sales transactions are settled. In fiscal year 2016, technology fee revenue is disclosed net of rebates of $1.5 million. Rebates are determined at the discretion of the Board.

Data Subscriber Fees — For a fee, the MSRB provides access to four electronic information systems that collect, store and provide information pertaining to the municipal securities market. The MSRB Primary Market Disclosure System includes official statements, advance refunding documents and related data. The MSRB Continuing Disclosure System includes continuing disclosure documents and related data from municipal securities issuers, obligated persons and their agents. The Real Time Transaction Reporting System covers data on all municipal securities transactions for purposes of price transparency and surveillance. Finally, the Short-term Obligation Rate Transparency System covers short-term obligation rate reset data and related documents. Information processed by these systems is sold to subscribers on an annual basis with revenue recognized straight-line over the period of service. In addition, the MSRB sells annual historical collections of information from these systems, with the fee billed and recognized at the time of purchase.

Municipal Advisor Professional Fees — Each municipal advisor that is registered with both the SEC and the MSRB is required to pay an annual per professional fee of $300 per Rule A-11.

Annual and Initial Fees — With respect to each fiscal year of the MSRB in which a regulated entity conducts business, the regulated entity is required to pay an annual fee of $1,000 per Rule A-12. Revenue is recognized when regulated entities are billed annually in October, or when received upon initial registration with the MSRB to conduct business. The initial fee is a onetime fee of $1,000 which is to be paid by every regulated entity upon registration with the MSRB under Rule A-12. Initial fee revenue is recognized when received.

Rule Violation Fee Revenue — The Dodd-Frank Act provides that fines collected by the Securities and Exchange Commission (SEC) for violations of the rules of the MSRB shall be equally divided between the SEC and the MSRB and that one-third of fines collected by the Financial Industry Regulatory Authority (FINRA) allocable to violations of the rules of the MSRB will be paid to the MSRB, although the portion of such fines payable to the MSRB may be modified at the direction of the SEC upon agreement between the MSRB and FINRA. Fine revenue is recorded in the month earned.

Professional Qualification Examination Fees — Rule A-16 establishes the examination fee on persons taking certain qualification examinations of $150 per exam. These examinations include the Series 51 (Municipal Fund Securities Limited Principal Qualification Examination), Series 52 (Municipal Securities Representative Qualification Examination) and Series 53 (Municipal Securities Principal Qualification Examination).

As part of its expanded mandate under the Dodd-Frank Act, the MSRB amended its Rule G-3 on professional qualifications to establish the requirement that all municipal advisor professionals take and pass a qualifying exam. The pilot Series 50 (Municipal Advisor Representative Qualification Examination) exam was available from January 15, 2016 through February 15, 2016. The permanent Series 50 exam was made available September 12, 2016.

Professional qualification examination fees, including pilot examination fees, are recognized in the month the exams are given and totaled $623,700 and $493,645 for the years ended September 30, 2017 and 2016, respectively. Professional qualification examination fees are included in other income in the accompanying statements of activities.

New Accounting Pronouncements:

In March 2017, the FASB issued Accounting Standards Update (ASU) 2017-08: Receivables — Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. The amendments in this ASU shorten the amortization period for certain callable debt securities held at a premium and require the premium to be amortized to the earliest call date. Securities held at a discount continue to be amortized to maturity. This standard is effective for the fiscal year ending September 30, 2020, with early adoption permitted. The MSRB elected early adoption of this standard. The amendments should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to unrestricted net assets as of the beginning of the period of adoption. In addition, adoption of the amendments are to be disclosed as a change in accounting principle. Fiscal year 2017 is the first year the MSRB was approved to invest in callable U.S. Government sponsored agency securities. As a result, there is no cumulative-effect adjustment from the early adoption and the change in accounting principle did not have a significant impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes the guidance in former Accounting Standards Codification (ASC) (Topic 840) Leases. The most significant change will result in the recognition of lease assets for the right to use the underlying asset, and lease liabilities for the obligation to make lease payments by lessees, for those leases classified as operating leases under current guidance. The new guidance will also require significant additional disclosures about the amount, timing and uncertainty of cash flows from leases. This standard is effective for the fiscal year ending September 30, 2021, with early adoption permitted. Upon adoption of ASU 2016-02, entities are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The MSRB believes adoption of this standard will have a significant impact on the statements of financial position and is evaluating the impact this ASU will have on the statements of activities and cash flows.

In August 2016, the FASB issued ASU 2016-14 to Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The ASU amends several requirements for financial statements and notes, including net asset classifications in the statements of financial position and statements of activities and enhanced disclosures in numerous areas. This standard is effective for the fiscal year ending September 30, 2019, with early adoption permitted. The MSRB is evaluating the impact this ASU will have on the financial statement presentation.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments, which clarifies how companies present and classify certain cash receipts and cash payments in the statement of cash flows. This standard is effective for the fiscal year ending September 30, 2019, with early adoption permitted. The MSRB is evaluating the impact this ASU will have on the financial statements.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The guidance in this update supersedes the revenue recognition requirements in Topic 605 explaining that an entity should recognize revenue to depict the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard is effective for the fiscal year ending September 30, 2018. The MSRB believes adoption of this standard will not have a significant impact on the statements of activities.

3. INVESTMENTS

Investments as of September 30, 2017 and 2016, consist of the following:

	2017	2016
Government-guaranteed agency securities	$34,055,879	$32,432,830
U.S. treasury notes	16,108,027	10,842,489
Certificates of deposit	11,369,211	12,715,373
Mutual funds — target date index fund	270,626	126,782
	$61,803,743	$56,117,474

Government-guaranteed agency securities include Federal National Mortgage Association and Federal Home Loan Mortgage Corporation bonds, government sponsored entities fully guaranteed by the U.S. Government.

In September 2014, a letter of credit in the amount of $130,000 was accepted as a security deposit by the landlord under the terms of the new office lease in Washington, D.C. The MSRB purchased a certificate of deposit for the same amount to collateralize the letter of credit. This holding is included in certificates of deposit and is valued at $133,296 and $130,000, September 30, 2017 and 2016, respectively.

Investment return for the years ended September 30, 2017 and 2016 is included in other income in the accompanying Statements of Activities and consists of the following:

	2017	2016
Interest and dividends	$664,541	$490,959
Unrealized gains	(363,522)	52,712
Realized losses	(1,901)	(2,643)
	$299,118	$541,028

4. FAIR VALUE MEASUREMENTS

The carrying amounts of financial instruments, including cash, receivables, accounts payable and accrued expenses, approximate fair value as of September 30, 2017 and 2016 because of the relatively short duration of these instruments.

The MSRB's policy uses the GAAP framework for measuring fair value which provides a fair value hierarchy based on observable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy reflects three levels based on the transparency of inputs as follows:

Level 1 — Valuation based on quoted prices available in active markets for identical assets or liabilities as of the report date.

Level 2 — Valuations based on inputs, other than quoted prices included within Level 1, that are observable, either directly or indirectly.

Level 3 — Valuations based on significant inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

The MSRB considers observable market data to be readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The MSRB's Level 1 investments include mutual funds.

The MSRB's Level 2 investments include U.S. treasury notes, obligations of U.S. government sponsored entities fully guaranteed by the U.S. Government and certificates of deposit.

The MSRB bases the fair value on pricing obtained from the MSRB's investment brokers. The MSRB does not adjust for or apply any additional assumptions or estimates to the pricing information it receives from its brokers. The brokers' pricing is compared to industry standard data providers or current yields available on comparable securities for reasonableness. The MSRB considers this the most reliable information available for the valuation of investments.

Investments were recorded at fair value as of September 30, 2017 and 2016, based on the following levels of hierarchy:

2017	Level 1	Level 2	Level 3	Total
Government-guaranteed agency securities	$ –	$34,055,879	$ –	$34,055,879
U.S. treasury notes	–	16,108,027	–	16,108,027
Certificates of deposit	–	11,369,211	–	11,369,211
Mutual funds	270,626	–	–	270,626
	$270,626	$61,533,117	$ –	$61,803,743

2016	Level 1	Level 2	Level 3	Total
Government-guaranteed agency securities	$ –	$32,432,830	$ –	$32,432,830
Certificates of deposit	–	12,715,373	–	12,715,373
U.S. treasury notes	–	10,842,489	–	10,842,489
Mutual funds	126,782	–	–	126,782
	$126,782	$55,990,692	$ –	$56,117,474

5. ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2017 and 2016 consist of the following:

	2017	2016
Billed accounts receivable	$4,077,607	$3,786,629
Unbilled accounts receivable	1,656,461	1,914,856
Insurance recovery receivable	–	253,811
	5,734,068	5,955,296
Less allowance for doubtful accounts	(137,928)	(94,379)
	$5,596,140	$5,860,917

Unbilled receivables at September 30, 2017 and 2016 consist primarily of September transaction and technology fees revenue billed in early October. September 30, 2016 includes the recognition of an insurance recovery with the credit included in Other Income on the Statements of Activities.

6. PREPAID AND OTHER ASSETS

Prepaid and other assets as of September 30, 2017 and 2016 consist of the following:

	2017	2016
Prepaid assets	$1,449,651	$1,014,699
Deposits	11,015	11,631
	$1,460,666	$1,026,330

7. FIXED ASSETS

Fixed assets as of September 30, 2017 and 2016 consist of the following:

	2017	2016
Capitalized software costs	$35,040,036	$30,489,863
Computer and office equipment	5,009,614	4,973,274
Leasehold improvements	4,040,651	4,033,851
Furniture and fixtures	1,713,424	1,713,424
	45,803,725	41,210,412
Less accumulated depreciation and amortization:		
Capitalized software costs	(27,479,390)	(25,374,963)
Computer and office equipment	(3,593,878)	(2,686,844)
Leasehold improvements	(567,601)	(263,276)
Furniture and fixtures	(649,475)	(311,235)
	(32,290,344)	(28,636,318)
	$13,513,381	$12,574,094

Depreciation expense and amortization expense during fiscal years 2017 and 2016 are as follows:

	2017	2016
Depreciation expense	$1,641,730	$1,556,575
Amortization expense for capitalized software cost and leasehold improvements	2,492,119	2,658,540
	$4,133,849	$4,215,115

Impairment of long-lived assets — Through regular review of long-lived assets, in fiscal year 2017 and 2016 no estimated impairment loss was recognized.

Leasehold improvements — In conjunction with the Washington, D.C. lease, the landlord provided up to $4.4 million in landlord incentives, of which $4.03 million funded leasehold improvements, and $323,000 offset future rent payments.

Capitalized software costs — For the years ended September 30, 2017 and 2016, $3.7 million and $2.1 million, respectively, of internally developed work-in-process costs for software not yet implemented are included in capitalized software costs.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities as of September 30, 2017 and 2016 consist of the following:

	2017	2016
Accounts payable and accrued expenses	$1,294,129	$2,359,361
Salaries, taxes and benefits payable	643,041	898,844
	$1,937,170	$3,258,205

The September 30, 2016 accounts payable and accrued expenses include $1.6 million of rebates and balances due to regulated entities.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases — The MSRB leases office space under operating lease arrangements. The MSRB moved to new office space in Washington, D.C. in December 2015 and the lease will expire in fiscal year 2031. The MSRB determined to move its office into Washington, D.C. at the expiration of the Alexandria, Virginia lease, which ended March 31, 2016.

These leases contain escalation clauses based on increases in rent and building operating costs. Rent expense is recognized on a straight-line basis over the term of the respective lease and is credited or charged to deferred rent as appropriate, which is included in liabilities in the accompanying statements of financial position. Total rent expense for operating leases for the years ended September 30, 2017 and 2016 was $1,794,770 and $2,545,060, respectively.

The MSRB has lease agreements for website hosting, business continuity and disaster recovery. Total lease payments under these operating leases for the years ended September 30, 2017 and 2016, were $484,879 and $507,582, respectively.

Future minimum lease payments under non-cancelable operating leases are as follows:

Years Ending September 30	
2018	$ 2,067,907
2019	1,935,257
2020	1,695,466
2021	1,737,833
2022	1,781,172
2023 and beyond	17,048,915
Total minimum lease payments	$26,266,550

Employment Agreements — In accordance with the executive director's employment agreement, a 457(f) deferred compensation plan is maintained and annual contributions as defined by the agreement are made. Contributions and the related earnings and interest vest at certain interval dates. As of September 30, 2017 and 2016, the MSRB has recorded a deferred compensation liability related to the 457(f) plan of $270,248 and $126,222, respectively.

10. RETIREMENT PLAN

The MSRB has a defined contribution retirement plan for all employees. Participation commences upon date of hire as described in the plan document. For all active participants employed on the first day of the calendar quarter, the MSRB makes a quarterly contribution as required by the plan document. The contribution percentage ranges from 7% to 9% depending on the length of vested service as set forth in the plan document.

Each employee is fully vested upon being credited with three plan years of service. Employees may also make voluntary contributions to the plan. The MSRB made contributions to the plan totaling $1,081,450 and $989,279 for the years ended September 30, 2017 and 2016, respectively.

All administrative expenses of the plan are paid by the MSRB. Administrative expenses total $4,937 and $4,000 for the years ended September 30, 2017 and 2016, respectively.

11. INCOME TAXES

The MSRB is exempt from federal and state taxes on income (other than unrelated business income) under Section 501(c)(6) of the Internal Revenue Code and applicable income tax regulations of the Commonwealth of Virginia and District of Columbia. The MSRB files an annual informational tax form, Form 990, with the Internal Revenue Service. The MSRB realized no unrelated business income in fiscal years 2017 and 2016 and no provision for income taxes has been made as of September 30, 2017 and 2016.

The MSRB addresses uncertain tax positions in accordance with ASC Topic 740, Income Taxes, which provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in financial statements. During the years from 2014 to 2017, which represent the years management considers to be open for examination by taxing authorities, management did not identify the existence of any uncertain tax position.

12. BOARD DESIGNATED NET ASSETS

With the establishment of the technology fee on January 1, 2011, a Board designated technology renewal fund was created to provide funds for capital expenditures, such as the replacement or acquisition of computer hardware and software. The technology renewal fund is credited with all revenue derived from the technology fee and depleted by information technology capital expenses. Effective January 1, 2016, technology fees earned are no longer credited to the Board designated technology renewal fund.

	2017	2016
Designated technology renewal fund - balance beginning of year	$11,750,777	$16,515,496
Technology fees, net of technology rebates of $1.5 million in 2016	–	200,467
Technology capital expenditures	(5,125,219)	(4,965,186)
Designated technology renewal fund	$ 6,625,558	$11,750,777

13. SUBSEQUENT EVENTS

The MSRB evaluated its September 30, 2017 financial statements for subsequent events through December 15, 2017, the date the financial statements were available to be issued. The MSRB is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

In May 2018, as part of the organization's continuous effort to fairly allocate fees across regulated entities benefiting from operating in the municipal market, the MSRB is introducing a new revenue source. Underwriters to 529 college savings plans will begin paying an annual underwriting fee on total aggregate plan assets. The MSRB also is raising the amount of the annual professional fee on municipal advisors from $300 to $500, which will be due in April 2018.

ABOUT THE MSRB

The Municipal Securities Rulemaking Board (MSRB) protects investors, state and local governments and other municipal entities, and the public interest by promoting a fair and efficient municipal securities market. The MSRB fulfills this mission by regulating the municipal securities firms, banks and municipal advisors that engage in municipal securities and advisory activities. To further protect market participants, the MSRB provides market transparency through its Electronic Municipal Market Access (EMMA®) website, the official repository for information on virtually all municipal bonds. The MSRB also serves as an objective resource on the municipal market, conducts extensive education and outreach to market stakeholders, and provides market leadership on key issues. The MSRB is a Congressionally chartered, self-regulatory organization governed by a 21-member board of directors that has a majority of public members, in addition to representatives of regulated entities. The MSRB is subject to oversight by the Securities and Exchange Commission.

CORPORATE OFFICE
Municipal Securities
Rulemaking Board
1300 I Street NW, Suite 1000
Washington, DC 20005
202-838-1500

MSRB SUPPORT
202-838-1330
MSRBSupport@msrb.org

ONLINE
msrb.org
emma.msrb.org
Twitter: @MSRB_News