

**“How the Fixed Income Markets Leverage Technology
to Enhance Transparency”**

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at the

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INTRODUCTION

- Good afternoon and thank you for the opportunity to join you here today.
- This year the Municipal Securities Rulemaking Board marks its 40th anniversary as the regulator responsible for ensuring a fair and efficient municipal market.
- Over these past four decades, our market has continued to evolve in many ways, to include new products, practices and professionals.
- Underpinning much of that change is nothing short of a revolution in the use of technology in the municipal market.
- How many of you remember the printed “blue list” of available bonds? How about hand-written order cards prone to human error? Or the rafts of clerks that administered municipal transactions?
- These quaint practices have given way to sophisticated order and inventory management systems that greatly improved the efficiency of the trading desk.
- Perhaps more of you recall the time before the evolution of straight-through processing, and how its introduction vastly improved the efficiency of trading and reduced settlement risk.
- Now there ought to be more than a few of you out there who remember the era of waiting for the mail delivery just to get a copy of a POS for an upcoming deal and the time when bid-wanted were put out exclusively by a phone call.
- I don’t have to even explain the significance of these changes and how technology has improved basic market functions.
- However I do want to share what I believe to be the three essential effects on our market of this technological revolution.
- For one, technology has helped to connect buyers and sellers more efficiently.
- The introduction of technology has meant that different sides of the trade can now almost instantaneously find and execute with each other.

- That means that whoever you are or wherever you are, if you have access to the available technology, you can communicate with your counterparty and transact accordingly.
- Second, technology has vastly increased the speed of delivery and availability of market information to market participants, resulting in improved market knowledge.
- The availability of real-time data and information, again, on both sides of a trade allowed the private sector to develop sophisticated systems to support market participants.
- Research and analysis has taken giant leaps because of the availability of this information.
- Third, technology has in many ways leveled the playing field for market participants.
- Technology has vastly reduced information asymmetries in which certain market participants get market information or data before it is widely distributed to others.
- At the MSRB we've applied advances in technology to support the availability of information and more equitable access to that information.
- In our early years, the height of new technology was a microfiche machine.
- Again, many of you in this room are far too young to picture this clunky device, which the MSRB stored on-site in our Municipal Securities Information Library.
- Investors and the general public were invited to drop in to view official statements "electronically."
- To investors of the 1990s, this was a real advancement in transparency and access.
- In the decade that followed, the MSRB, along with many market professionals, laid the groundwork for making documents and data more readily available to all market participants.
- Of course the outgrowth of that work was the MSRB's Electronic Municipal Market Access, or EMMA, website.

- As a free, public website, EMMA has more than replaced that microfiche machine, bringing information about over one million municipal securities into the homes and hands of anyone who wants it.
- Before EMMA, the absence of public ticker tape of municipal trading left average investors in the dark about how their price compared to the rest of the market.
- Investors had few if any, points of reference for their price, and had no information to question the price provided to them by their financial professional.
- Now all investors have access to real-time, data on the pricing of municipal securities, which increases the fairness of the market.
- Larger institutional investors have alternative information services in reach, but whether you refer to EMMA on a daily basis or not, all market participants benefit from EMMA's contributions to the fairness and efficiency of the market.
- For smaller shops and retail investors, EMMA ensures equitable access to market information.
- Within 15 minutes of a trade, key information is posted on EMMA for all to see, including the price, yield, size of the trade and whether the trade was customer bought, customer sold or between dealers.
- Equally important is timely and equal access for all investors to information about the debt profile and financial health of the issuer.
- None of this information was readily available to the average investor just five years ago.
- And I am energized and excited by the thought of where technology will take our market five years from now.

CENTRAL TRANSPARENCY PLATFORM

- The MSRB laid out our vision for the future of market transparency in our long-range plan we published in early 2012.

- This plan of course takes the application of technology even further.
- The MSRB's vision is for the EMMA website to eventually evolve into a central transparency platform that brings together multiple streams of information – post-trade data, pre-trade data and disclosures
- The central vision of the MSRB's long-range plan is to leverage new technology and private sector partnerships to achieve the greatest possible level of transparency, fairness and efficiency for the municipal market.
- An important rulemaking underway at the MSRB aims to enhance our already-robust post-trade transparency program so that investors and regulators can better understand costs of certain transactions.
- In recognition of the important role Alternative Trading Systems play in the market, especially for individual investors, we plan to require a new indicator on EMMA for transactions that occur on ATSS.
- Other new data points include an indicator for customer trades involving fee-based compensation arrangements.
- These new post-trade data points will give both investors and regulators more information to assess current market practices.
- The MSRB regularly meets with private sector vendors of information to see what advancements they are making to enhance market structure.
- Industry expertise and feedback is contributing to our ongoing exploration of whether to make certain types of pre-trade data available on EMMA in the future.
- There would still be a place in the market for execution platforms and value-added private information services.
- EMMA would continue to serve as an official data source for users of the free website and subscribers to automated data feeds.
- The MSRB is also working on a proposal to require dealers to disclose pricing information for their same-day principal trades in the same security on retail customer trade confirmations.

- This approach takes information already available to the public on EMMA but provides it directly to retail investors in connection with their transaction, enabling them to more easily evaluate their transaction costs.
- Commenters on this proposal have questioned whether the draft rule adequately leverages the power of EMMA.
- While the Board is continuing to study comments, I have to say that in my personal view, it is important not to leave behind today's investors in our enthusiasm for building transparency systems for the investors of tomorrow.
- As long as municipal securities continue to be owned in large part by retail investors like my mom, online solutions alone may not be the answer.

DISCLOSURE

- Now I want to shift gears a bit because pricing information is only part of ensuring a fair and transparent market.
- The MSRB and our fellow regulators are keenly focused on improving access to disclosure information about the overall financial health of municipal securities issuers.
- From the recently concluded SEC MCDC initiative to the issue of bank loan disclosure, the MSRB provides leadership in facilitating complete and timely disclosure to investors.
- As you may have seen from our recent comment letter to the SEC on Rule 15c2-12, we are offering our support to the SEC to undertake a wholesale re-examination of the rule and consider potential changes to improve its operation and reflect current market practices.
- Our EMMA website is the official platform for issuers to communicate with investors, and we are continually working to enhance the accessibility of disclosures on the site.
- A great feature of EMMA for those seeking up-to-date disclosure documents is the "Browse Issuers" function.
- Every bond issuer, in every state, now has a unique homepage on EMMA that consolidates all its bonds, including all available disclosures and recent trade data.

- EMMA's usefulness depends largely on the commitment of underwriters, issuers and their agents to fulfill their obligation to submit required data and documents.
- The MSRB has been engaged in an ongoing outreach campaign to assist issuers in understanding their disclosure obligations and submitting these documents to EMMA.
- The MSRB strongly encourages issuers to submit additional voluntary information to give investors the most complete and accurate picture of the issuer's financial health.
- For several years we have emphasized the need for better disclosure of bank loans and other forms of indebtedness.
- Given the prevalence of bank loans and their potential effect on the issuer's overall indebtedness, we recently issued a new advisory reminding the market of the importance of transparency around these obligations.

CONCLUSION

- As we celebrate our 40th anniversary, I am grateful for the opportunity to look back with fondness on how far we've come and to look ahead with fresh eyes at how far we have yet to go.
- Technology has allowed our industry to grow and innovate, and we must continue to explore how to leverage the tools available to us to promote a fairer, more efficient and more transparent market for all.
- I am happy to take your questions. Thank you.