

119TH CONGRESS
2D SESSION

S. 3935

To amend the Securities Exchange Act of 1934 to clarify the composition of the membership of the Municipal Securities Rulemaking Board, and for other purposes.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 26, 2026

Mr. KENNEDY introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

A BILL

To amend the Securities Exchange Act of 1934 to clarify the composition of the membership of the Municipal Securities Rulemaking Board, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Municipal Securities
5 Rulemaking Board Reform Act of 2026”.

6 **SEC. 2. THE MUNICIPAL SECURITIES RULEMAKING BOARD.**

7 (a) IN GENERAL.—Section 15B of the Securities Ex-
8 change Act of 1934 (15 U.S.C. 78o–4) is amended—

1 (1) by striking subsection (b) and inserting the
2 following:

3 “(b) MUNICIPAL SECURITIES RULEMAKING
4 BOARD.—

5 “(1) MEMBERSHIP.—

6 “(A) DEFINITIONS.—For the purposes of
7 this paragraph, a person is associated with—

8 “(i) a municipal securities broker if
9 that person is—

10 “(I) a partner, officer, director,
11 or branch manager of a municipal se-
12 curities broker;

13 “(II) a person occupying a simi-
14 lar status as, or performing similar
15 functions as, a person described in
16 subclause (I);

17 “(III) any other employee of a
18 municipal securities broker who is di-
19 rectly engaged in the management, di-
20 rection, supervision, or performance of
21 any activities relating to the business
22 of effecting transactions in municipal
23 securities for the account of others; or

24 “(IV) a person directly or indi-
25 rectly controlling, controlled by, or

1 under common control with a munic-
 2 ipal securities broker;

3 “(ii) a municipal securities dealer if
 4 the person is a person associated with a
 5 municipal securities dealer; and

6 “(iii) a municipal advisor if the person
 7 is—

8 “(I) a person associated with a
 9 municipal advisor; or

10 “(II) an associated person of an
 11 advisor.

12 “(B) COMPOSITION OF BOARD.—

13 “(i) IN GENERAL.—The Board shall
 14 be composed of 15 members, or such other
 15 number of members as specified by the
 16 Commission under clause (ii), who shall—

17 “(I) be appointed from among in-
 18 dividuals of integrity and reputation;
 19 and

20 “(II) have experience in matters
 21 that are affected by the municipal se-
 22 curities markets.

23 “(ii) COMMISSION ALTERATIONS.—
 24 The Commission may alter the number of
 25 members that constitute the Board, pro-

vided that such number shall always be an
odd number.

“(C) PUBLIC REPRESENTATIVES AND REG-
ULATED REPRESENTATIVES.—

“(i) REGULATED REPRESENTA-
TIVES.—A majority of the members of the
Board shall be individuals who are associ-
ated with a broker, dealer, municipal secu-
rities dealer, or municipal advisor (referred
to in this subsection as ‘regulated rep-
resentatives’)—

“(I) not fewer than 2 of whom
shall be associated with and rep-
resentative of brokers, dealers, or mu-
nicipal securities dealers that are not
banks or subsidiaries, departments, or
divisions of banks (referred to in this
subsection as ‘broker-dealer represent-
atives’);

“(II) not less than 1 of whom
shall be associated with and rep-
resentative of municipal securities
dealers that are banks or subsidiaries,
departments, or divisions of banks

1 (referred to in this subsection as
2 ‘bank representatives’); and

3 “(III) not fewer than 2 of whom
4 shall be associated with a municipal
5 advisor (referred to in this subsection
6 as ‘advisor representatives’).

7 “(ii) PUBLIC REPRESENTATIVES.—
8 The remainder of the members of the
9 Board shall be individuals who were not
10 associated with a municipal securities
11 broker, a municipal securities dealer, a
12 broker, a dealer, or a municipal advisor
13 (and who were not employed by, or who
14 were not an officer, director, or controlling
15 person of, any affiliate of any such entity)
16 during the 5-year period preceding the
17 date on which those individuals are ap-
18 pointed to the Board (referred to in this
19 subsection as ‘public representatives’)—

20 “(I) not less than 1 of whom
21 shall be representative of institutional
22 or retail investors in municipal securi-
23 ties;

1 “(II) not less than 1 of whom
 2 shall be representative of municipal
 3 entities; and

4 “(III) not less than 1 of whom
 5 shall be a member of the public.

6 “(D) LIMITATION.—The membership of
 7 the Board shall, at all times, be as evenly di-
 8 vided as possible between the number of public
 9 representatives and regulated representatives,
 10 consistent with the requirement under subpara-
 11 graph (C)(i) that a majority of the members of
 12 the Board shall be regulated representatives.

13 “(E) APPOINTMENT OF BOARD MEM-
 14 BERS.—

15 “(i) INITIAL BOARD.—Not later than
 16 180 days after the date of enactment of
 17 the ‘Municipal Securities Rulemaking
 18 Board Reform Act of 2026’, the Commis-
 19 sion shall, subject to clause (ii)—

20 “(I) appoint a Chairperson of the
 21 Board and all other initial members of
 22 the Board; and

23 “(II) designate a term of service
 24 for each member appointed under
 25 subclause (I).

1 “(ii) INTERIM BOARD.—

2 “(I) IN GENERAL.—Before ap-
3 pointing the initial members of the
4 Board under clause (i), the Commis-
5 sion may, without regard to the limi-
6 tations in subparagraph (C), appoint
7 not more than 3 individuals to serve
8 as interim members of the Board who
9 shall be responsible for ensuring the
10 continuity of the operations of the
11 Board until the Commission appoints
12 those initial members.

13 “(II) MEMBERSHIP.—In making
14 an appointment under subclause (I),
15 the Commission shall select from
16 among individuals of integrity and
17 reputation and who have experience in
18 matters that are affected by the mu-
19 nicipal securities markets.

20 “(III) AUTHORITY.—The mem-
21 bers of the interim Board appointed
22 under this subparagraph may exercise
23 all of the authority of the Board
24 under this section.

1 “(iii) SUCCESSORS.—The Commission
 2 shall appoint a successor to each member
 3 of the Board, including each initial mem-
 4 ber of the Board under clause (i), before
 5 the expiration of the term of service of that
 6 member.

7 “(F) VACANCIES.—A vacancy on the
 8 Board—

9 “(i) shall not affect the authority of
 10 the Board under this section; and

11 “(ii) shall be filled by the Commission.

12 “(G) TERM OF SERVICE.—The term of
 13 service for each Board member shall be 3 years,
 14 plus the amount of time necessary for the ap-
 15 pointment of a successor, except that—

16 “(i) the term of service for a member
 17 appointed under subparagraph (E)(i),
 18 other than the Chairperson of the Board,
 19 shall expire in increments, with—

20 “(I) $\frac{1}{3}$ of the terms of the mem-
 21 bers so appointed expiring on the date
 22 that is 1 year after the date on which
 23 those members are appointed;

24 “(II) $\frac{1}{3}$ of the terms of the
 25 members so appointed expiring on the

1 date that is 2 years after the date on
 2 which those members are appointed;
 3 and

4 “(III) $\frac{1}{3}$ of the terms of the
 5 members so appointed expiring on the
 6 date that is 3 years after the date on
 7 which those members are appointed;

8 “(ii) the term of service for a member
 9 appointed under subparagraph (E)(ii) shall
 10 be not more than 180 days; and

11 “(iii) any Board member appointed to
 12 fill a vacancy on the Board before the expi-
 13 ration of the term with respect to that va-
 14 cancy shall be appointed only for the re-
 15 mainder of that term.

16 “(H) REMOVAL.—A member of the Board
 17 shall be removable at will by the Commission.

18 “(2) RULES.—The Board shall propose and
 19 adopt rules to effect the purposes of this title with
 20 respect to transactions in municipal securities ef-
 21 fected by brokers, dealers, and municipal securities
 22 dealers and advice provided to or on behalf of mu-
 23 nicipal entities or obligated persons by brokers, deal-
 24 ers, municipal securities dealers, and municipal advi-
 25 sors with respect to municipal financial products, the

1 issuance of municipal securities, and solicitations of
2 municipal entities or obligated persons undertaken
3 by brokers, dealers, municipal securities dealers, and
4 municipal advisors and that, at a minimum, shall—

5 “(A) provide that no municipal securities
6 broker or municipal securities dealer shall effect
7 any transaction in, or induce or attempt to in-
8 duce the purchase or sale of, any municipal se-
9 curity, and no broker, dealer, municipal securi-
10 ties dealer, or municipal advisor shall provide
11 advice to or on behalf of a municipal entity or
12 obligated person with respect to municipal fi-
13 nancial products or the issuance of municipal
14 securities, unless such municipal securities
15 broker or municipal securities dealer meets such
16 standards of operational capability and such
17 municipal securities broker or municipal securi-
18 ties dealer and every natural person associated
19 with such municipal securities broker or munic-
20 ipal securities dealer meets such standards of
21 training, experience, competence, and such
22 other qualifications as the Board finds nec-
23 essary or appropriate in the public interest or
24 for the protection of investors and municipal
25 entities or obligated persons. In connection with

1 the definition and application of such standards
2 the Board may—

3 “(i) appropriately classify municipal
4 securities brokers, municipal securities
5 dealers, and municipal advisors (taking
6 into account relevant matters, including
7 types of business done, nature of securities
8 other than municipal securities sold, and
9 character of business organization), and
10 persons associated with municipal securi-
11 ties brokers, municipal securities dealers,
12 and municipal advisors;

13 “(ii) specify that all or any portion of
14 such standards shall be applicable to any
15 such class; and

16 “(iii) require persons in any such
17 class to pass tests administered in accord-
18 ance with subsection (c)(7);

19 “(B) be designed to prevent fraudulent and
20 manipulative acts and practices, to promote just
21 and equitable principles of trade, to foster co-
22 operation and coordination with persons en-
23 gaged in regulating, clearing, settling, proc-
24 essing information with respect to, and facili-
25 tating transactions in municipal securities and

1 municipal financial products, to remove impedi-
2 ments to and perfect the mechanism of a free
3 and open market in municipal securities and
4 municipal financial products, and, in general, to
5 protect investors, municipal entities, obligated
6 persons, and the public interest; and not be de-
7 signed to permit unfair discrimination among
8 customers, municipal entities, obligated persons,
9 municipal securities brokers, municipal securi-
10 ties dealers, or municipal advisors, to fix min-
11 imum profits, to impose any schedule or fix
12 rates of commissions, allowances, discounts, or
13 other fees to be charged by municipal securities
14 brokers, municipal securities dealers, or munic-
15 ipal advisors, to regulate by virtue of any au-
16 thority conferred by this title matters not re-
17 lated to the purpose of this title or the adminis-
18 tration of the Board, or to impose any burden
19 on competition not necessary or appropriate in
20 furtherance of the purposes of this title;

21 “(C) if the Board deems appropriate, pro-
22 vide for the arbitration of claims, disputes, and
23 controversies relating to transactions in munic-
24 ipal securities and advice concerning municipal
25 financial products, except that no person other

1 than a municipal securities broker, municipal
2 securities dealer, municipal advisor, or person
3 associated with such a municipal securities
4 broker, municipal securities dealer, or municipal
5 advisor may be compelled to submit to such ar-
6 bitration except at his instance and in accord-
7 ance with section 29;

8 “(D) provide for the periodic examination
9 in accordance with subsection (c)(7) of munic-
10 ipal securities brokers, municipal securities
11 dealers, and municipal advisors to determine
12 compliance with applicable provisions of this
13 title, the rules and regulations thereunder, and
14 the rules of the Board, which shall specify the
15 minimum scope and frequency of such examina-
16 tions and shall be designed to avoid unneces-
17 sary regulatory duplication or undue regulatory
18 burdens for any such municipal securities
19 broker, municipal securities dealer, or municipal
20 advisor;

21 “(E) include provisions governing the form
22 and content of quotations relating to municipal
23 securities which may be distributed or published
24 by any municipal securities broker, municipal
25 securities dealer, or person associated with such

1 a municipal securities broker or municipal secu-
2 rities dealer, and the persons to whom such
3 quotations may be supplied, which shall be de-
4 signed to produce fair and informative
5 quotations, to prevent fictitious or misleading
6 quotations, and to promote orderly procedures
7 for collecting, distributing, and publishing
8 quotations;

9 “(F) prescribe records to be made and
10 kept by municipal securities brokers, municipal
11 securities dealers, and municipal advisors and
12 the periods for which such records shall be pre-
13 served;

14 “(G) define the term ‘separately identifi-
15 able department or division’, as that term is
16 used in section 3(a)(30), in accordance with
17 specified and appropriate standards to assure
18 that a bank is not deemed to be engaged in the
19 business of buying and selling municipal securi-
20 ties through a separately identifiable depart-
21 ment or division unless such department or di-
22 vision is organized and administered so as to
23 permit independent examination and enforce-
24 ment of applicable provisions of this title, the
25 rules and regulations thereunder, and the rules

1 of the Board and so that a separately identifi-
2 able department or division of a bank may be
3 engaged in activities other than those relating
4 to municipal securities;

5 “(H) provide for the operation and admin-
6 istration of the Board, the compensation of the
7 members of the Board (subject to the rule
8 issued by the Commission under section
9 2(c)(1)(B) of the ‘Municipal Securities Rule-
10 making Board Reform Act of 2026’), and the
11 appointment and compensation of such employ-
12 ees, attorneys, and consultants as may be nec-
13 essary or appropriate to carry out the functions
14 of the Board under this section;

15 “(I) provide that each municipal securities
16 broker, municipal securities dealer, and munic-
17 ipal advisor shall pay to the Board such reason-
18 able fees and charges as may be necessary or
19 appropriate to defray the costs and expenses of
20 operating and administering the Board, which
21 shall specify the amount of such fees and
22 charges, which may include charges for failure
23 to submit to the Board, or to any information
24 system operated by the Board, within the pre-
25 scribed timeframes, any items of information or

documents required to be submitted under any rule issued by the Board;

“(J) establish the terms and conditions under which any broker, dealer, or municipal securities dealer may sell, or prohibit any broker, dealer, or municipal securities dealer from selling, any part of a new issue of municipal securities to a related account of a broker, dealer, or municipal securities dealer during the underwriting period; and

“(K) with respect to municipal advisors—

“(i) prescribe means reasonably designed to prevent acts, practices, and courses of business as are not consistent with a municipal advisor’s fiduciary duty to its clients;

“(ii) provide continuing education requirements for municipal advisors;

“(iii) provide professional standards; and

“(iv) not impose a regulatory burden on small municipal advisors that is not necessary or appropriate in the public interest and for the protection of investors, municipal entities, and obligated persons,

1 provided that there is robust protection of
2 investors against fraud.

3 “(3) BOARD AUTHORITY.—The Board, in con-
4 junction with or on behalf of any Federal financial
5 regulator or self-regulatory organization, may—

6 “(A) establish information systems; and

7 “(B) assess such reasonable fees and
8 charges for the submission of information to, or
9 the receipt of information from, such systems
10 from any persons which systems may be devel-
11 oped for the purposes of serving as a repository
12 of information from municipal market partici-
13 pants or otherwise in furtherance of the pur-
14 poses of the Board, a Federal financial regu-
15 lator, or a self-regulatory organization, except
16 that the Board—

17 “(i) may not charge a fee to municipal
18 entities or obligated persons to submit doc-
19 uments or other information to the Board
20 or charge a fee to any person to obtain, di-
21 rectly from the internet site of the Board,
22 documents or information submitted by
23 municipal entities, obligated persons, bro-
24 kers, dealers, municipal securities dealers,
25 or municipal advisors, including documents

1 submitted under the rules of the Board or
2 the Commission; and

3 “(ii) shall not be prohibited from
4 charging commercially reasonable fees for
5 automated subscription-based feeds or
6 similar services, or for charging for other
7 data or document-based services cus-
8 tomized upon request of any person, made
9 available to commercial enterprises, munic-
10 ipal securities market professionals, or the
11 general public, whether delivered through
12 the internet or any other means, that con-
13 tain all or part of the documents or infor-
14 mation, subject to approval of the fees by
15 the Commission under section 19(b).

16 “(4) GUIDANCE.—The Board may provide guid-
17 ance and assistance in the enforcement of, and ex-
18 amination for, compliance with the rules of the
19 Board to the Commission, a registered securities as-
20 sociation under section 15A, or any other appro-
21 priate regulatory agency, as applicable.

22 “(5) MEETINGS.—The Board, the Commission,
23 and a registered securities association under section
24 15A, or the designees of the Board, the Commission,

1 or such association, shall meet not less frequently
 2 than 2 times a year—

3 “(A) to describe the work of the Board,
 4 the Commission, and the registered securities
 5 association involving the regulation of municipal
 6 securities; and

7 “(B) to share information about—

8 “(i) the interpretation of the Board,
 9 the Commission, and the registered securi-
 10 ties association of Board rules; and

11 “(ii) examination and enforcement of
 12 compliance with Board rules.

13 “(6) DATA STANDARDS.—

14 “(A) IN GENERAL.—The Commission shall
 15 adopt data standards for information submitted
 16 to the Board.

17 “(B) CONSISTENCY.—Any data standards
 18 adopted under subparagraph (A) shall incor-
 19 porate, and ensure compatibility with (to the
 20 extent feasible), all applicable data standards
 21 established in the rules promulgated under sec-
 22 tion 124 of the Financial Stability Act of 2010
 23 (12 U.S.C. 5334), including, to the extent prac-
 24 ticable, by having the characteristics described

1 in clauses (i) through (vi) of subsection
2 (c)(1)(B) of such section 124.

3 “(C) CONSULTATION.—The Commission
4 shall consult market participants in establishing
5 data standards under subparagraph (A).

6 “(D) RULE OF CONSTRUCTION.—Nothing
7 in this paragraph may be construed to affect
8 the operation of paragraph (1) or (2) of sub-
9 section (d).

10 “(7) RULE OF CONSTRUCTION.—Nothing in
11 this section shall be construed to impair or limit the
12 power of the Commission under this title.”; and

13 (2) in subsection (c)—

14 (A) in paragraph (7)—

15 (i) in subparagraph (A), in the matter
16 preceding clause (i), by striking
17 “(b)(2)(E)” and inserting “(b)(2)(D)”;
18 and

19 (ii) in subparagraph (B), in the first
20 sentence, by striking “(b)(2)(E)” and in-
21 serting “(b)(2)(D)”;

22 (B) in paragraph (8), by striking “member
23 or”.

1 (b) TECHNICAL AND CONFORMING AMENDMENTS.—
 2 The Securities Exchange Act of 1934 (15 U.S.C. 78a et
 3 seq.) is amended—

4 (1) in section 3(a)(30)(B) (15 U.S.C.
 5 78c(a)(30)(B)), by striking “section 15B(b)(2)(H)”
 6 and inserting “section 15B(b)(2)(G)”; and

7 (2) in section 15A (15 U.S.C. 78o–3)—

8 (A) in subsection (b)(15)(B), in the matter
 9 preceding clause (i), by striking “section
 10 15B(b)(2)(E)” and inserting “section
 11 15B(b)(2)(D)”; and

12 (B) in subsection (e)(3), by striking “sec-
 13 tion 15B(b)(2)(K)” and inserting “section
 14 15B(b)(2)(J)”.

15 (c) RULEMAKINGS.—

16 (1) SECURITIES AND EXCHANGE COMMIS-
 17 SION.—The Securities and Exchange Commission—

18 (A) may issue any rules to carry out this
 19 Act, and the amendments made by this Act,
 20 that may be necessary or appropriate in the
 21 public interest or for the protection of investors,
 22 municipal entities, or obligated persons; and

23 (B) shall issue a final rule that provides
 24 the maximum compensation for a member of
 25 the Municipal Securities Rulemaking Board.

1 (2) MUNICIPAL SECURITIES RULEMAKING
2 BOARD.—Not later than 60 days after the date on
3 which the Securities and Exchange Commission has
4 completed the appointment of the initial members of
5 the Municipal Securities Rulemaking Board under
6 section 15B(b)(1)(E) of the Securities Exchange Act
7 of 1934, as added by subsection (a), the Municipal
8 Securities Rulemaking Board shall submit to the
9 Commission any notice of a proposed change to the
10 rules of the Board that is required as a result of the
11 amendments made by this section.

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