

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.

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## 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

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## 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

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

3 “(J) establish the terms and conditions  
4 under which any broker, dealer, or municipal  
5 securities dealer may sell, or prohibit any  
6 broker, dealer, or municipal securities dealer  
7 from selling, any part of a new issue of munic-  
8 ipal securities to a related account of a broker,  
9 dealer, or municipal securities dealer during the  
10 underwriting period; and

11 “(K) with respect to municipal advisors—

12 “(i) prescribe means reasonably de-  
13 signed to prevent acts, practices, and  
14 courses of business as are not consistent  
15 with a municipal advisor’s fiduciary duty  
16 to its clients;

17 “(ii) provide continuing education re-  
18 quirements for municipal advisors;

19 “(iii) provide professional standards;  
20 and

21 “(iv) not impose a regulatory burden  
22 on small municipal advisors that is not  
23 necessary or appropriate in the public in-  
24 terest and for the protection of investors,  
25 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)”; and

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.

○