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SIFMA Issues Paper Urging Underwriters to Disclose Issuer Designation of their Counsel.

The Securities Industry and Financial Markets Association has issued a best practice paper recommending that underwriters disclose in official statements when issuers designate firms to serve as underwriter's counsel.

The group took the action after hearing that issuers are inserting themselves into the selection of underwriter's counsel with increasing frequency, said Leslie Norwood, co-head of municipal securities at SIFMA.

The recommendation largely agrees with, and borrows from, a 2009 recommended practice issued by the Government Finance Officer's Association. In that paper, GFOA stressed that issuers have a "legitimate but limited" role in the selection of underwriter's counsel.

But the SIFMA paper takes the position a step further in urging that any issuer role in the selection of underwriter's counsel be disclosed in documents available to investors. Norwood said that potential conflicts of interest arising from issuers choosing underwriter's counsel could be of importance to investors.

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