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MSRB Proposes Supervision Rule for Municipal Advisors.

Alexandria, VA - The Municipal Securities Rulemaking Board (MSRB) today requested public comment on proposed supervisory and compliance obligations for municipal advisors when engaging in municipal advisory activities. Establishing a supervision rule is a key step in the MSRB's development of a regulatory framework for municipal advisors, as directed by Congress in the Dodd-Frank Wall Street Reform and Consumer Protection Act.

"Establishing baseline supervisory requirements for municipal advisors will help ensure that they and their personnel comply with all applicable securities laws, with an emphasis on the critical goal of preventing compliance issues in the first place," said MSRB Executive Director Lynnette Kelly. "The regulatory framework the MSRB is developing is aimed at protecting state and local governments and other municipal entities that rely on the services of municipal advisors, and a supervision rule lays the foundation for the rest of that framework."

The MSRB's supervision proposal, draft Rule G-44, draws on the strengths of analogous supervision rules for other areas of the securities industry but takes into account the diversity of the municipal advisory population, including small or single-person firms. The draft rule takes a primarily principles-based approach, applying the standard that policies be reasonably designed to achieve compliance with the rules applicable to municipal advisors. The rule specifically requires that municipal advisor firms have written supervisory procedures and that they designate a chief compliance officer to be responsible for compliance functions and personnel to be responsible for supervision, but also provides detailed supplementary material to accommodate and guide the application of the rule for small and single-person firms.

The Dodd-Frank Act charged the MSRB with developing standards of conduct and qualification for municipal advisors to help safeguard the interests of state and local governments that engage the services of municipal advisors. The MSRB earlier this year requested comment on a proposal to establish core standards of conduct for municipal advisors. Future MSRB rule proposals for municipal advisors will include measures to address the potential for pay-to-play activities by municipal advisors; limitations on gifts and gratuities to employees of municipal securities issuers and other market participants; and duties of municipal advisors acting as solicitors. The MSRB also is developing a comprehensive professional qualifications program, as well as appropriate fees to be charged to municipal advisors.

The MSRB's draft supervision rule for municipal advisors incorporates the MSRB's preliminary economic analysis of the benefits, burdens and potential regulatory alternatives, and the MSRB requests comment on that analysis in addition to all aspects of the proposed rule.

View the Request for Comment here:

<http://www.msrb.org/~media/Files/Regulatory-Notices/RFCs/2014-04.ashx?n=1>

Comments on the draft supervision rule should be submitted to the MSRB no later than April 28, 2014.

The MSRB is hosting an educational webinar on the main aspects of the proposed supervisory and compliance requirements on March 20, 2014 at 3:00 p.m. ET.

Register for the webinar:

<https://www2.gotomeeting.com/register/535817330>

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