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MSRB to Implement Core Conduct Rule for Municipal Advisors.

Washington, DC - Beginning in June 2016, firms and individuals that advise state and local governments on municipal finance transactions and products will be subject to detailed regulations on their professional conduct, including rules furthering the federal fiduciary duty to their municipal entity clients established under Dodd-Frank Wall Street Reform and Consumer Protection Act.

“Congress charged the Municipal Securities Rulemaking Board (MSRB) with developing regulations to protect state and local governments from the risks - and potentially costly consequences - of relying on financial advice from unaccountable and unqualified individuals,” said MSRB Executive Director Lynnette Kelly. “The MSRB rule approved by the Securities and Exchange Commission, details standards of conduct that municipal advisors owe to their clients.” [Read the SEC approval order.](#)

New MSRB Rule G-42 addresses the specific duties of care and loyalty that are components of the federal fiduciary duty established under the Dodd-Frank Act for municipal advisors when dealing with municipal entity clients. Certain provisions of the rule apply to municipal advisors in their work with both municipal entity clients and others obligated to support payments on municipal securities. These provisions include requirements to provide written disclosure of conflicts of interest, and conduct reasonable diligence to support the suitability of recommendations, among other duties.

The rule also includes a ban on engaging in principal transactions with a municipal entity client that are directly related to the issue of securities for which the municipal advisor is providing advice. In response to public comment, this provision was recently amended to include a narrow exception that generally covers transactions in particular types of fixed income securities where the municipal advisor follows a process to make disclosure and obtain client consent.

“The final version of this rule reflects the valuable input received from the industry and the public throughout the federal rulemaking process,” Kelly said. “The MSRB carefully considers the diversity of municipal advisors and their clients as we work to implement a regulatory framework that supports municipal market integrity.” [Read more about the MSRB’s municipal advisor rulemaking.](#) The MSRB plans to publish a regulatory notice about the new rule soon.

To facilitate compliance, the MSRB will host a free educational webinar in advance of the effective date of the rule. The webinar will be held on Thursday, April 28, 2016 from 3:00 p.m.-4:00 p.m.

[Register for the webinar.](#)

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