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## **HFS Committee to Review Muni Regulators, Others.**

WASHINGTON - The House Financial Services Committee intends to review municipal bond regulators and other aspects of the capital markets with an eye toward rolling back certain programs, according to an oversight plan from the committee.

The plan, which broadly lays out parameters for the session, "contains oversight initiatives that will be undertaken for the purpose of identifying cuts to or the elimination of programs that are inefficient, duplicative, outdated, or more appropriately administered by state and local government," the committee said.

It specifically mentions the Securities and Exchange Commission the Municipal Securities Rulemaking Board and the Financial Industry Regulatory Authority among other agencies and programs.

The committee said the SEC received \$1.605 billion in fiscal year 2016 appropriations even though its authorization lapsed in fiscal 2015. The SEC's Office of Inspector General's authorization lapsed after fiscal year 2011, though it was appropriated \$11.3 million in fiscal 2016. The committee said it will perform the necessary oversight to support activities related to reauthorizing the SEC.

It also plans to "monitor all aspects of the [SEC's] operations, activities, and initiatives to ensure that it fulfills its congressional mandate to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation," according to the committee document. The Municipal Securities Rulemaking Board will get similar treatment as the committee intends to review the self-regulator's operations, initiatives, and activities.

Dealers and others have complained about the rising cost of compliance the muni market is now facing as a result of a slew of new rulemaking from the SEC and MSRB to implement the Dodd-Frank Act in recent years. Muni market groups have asked the regulators to better assess how their rules are impacting costs and burdens for market participants, especially smaller dealers and municipal advisor firms.

The Financial Services Committee plan includes a section that broadly outlines the reduction of regulatory burdens as a goal for the congressional session.

The committee has promised to explore financial regulators' implementation of the Volcker Rule and how it has affected the strength and international competitiveness of U.S. capital markets. Muni groups, along with the MSRB, had raised concerns the rule would bifurcate the market by only exempting certain issuers' bonds.

The committee's oversight plan also includes an exploration of bank regulator standards developed in conjunction with the international Basel Committee on Banking Supervision. Muni market participants have complained about bank regulators' liquidity rule, which mandates that banks hold enough high quality liquid assets (HQLA) to deal with periods of financial stress. Except for the Federal Reserve Board, the bank regulators' definition of HQLA does not include any municipal

bonds. Legislators introduced two bills last session to try to remedy the exclusion of munis but they never became law.

The committee's oversight plan was released after recent executive orders from President Trump encouraged the SEC, among other agencies, to review the cost of Dodd-Frank mandated and other regulations.

Financial Services Committee chair Rep. Jeb Hensarling, R-Texas, applauded the president's order on Dodd-Frank last week, saying he was "very pleased" that Trump was following through on his promise to dismantle the legislation. Hensarling is reportedly planning to reintroduce his alternative to Dodd-Frank within the next few weeks. The legislation, called the Financial CHOICE Act, would address many of the areas of concern outlined in the Financial Services Committee's oversight plan.

## **The Bond Buyer**

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