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NAMA Wishlist for MSRB's Review of MA Rules Includes Technical Fixes, Good Dialogue.

The Municipal Securities Rulemaking Board's decision to launch a holistic review of its municipal advisor rules is "completely understandable," National Association of Municipal Advisors Executive Director Susan Gaffney said, but before the MSRB makes any big changes she hopes "it will engage with the MA community."

The MSRB's second quarterly board meeting of fiscal year 2025, held in January, included discussion regarding the launch of a "holistic review," of the MSRB's municipal advisor rules, MSRB CEO Mark Kim confirmed in an interview following the meeting.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in the wake of the global financial crisis, "expanded the MSRB's statutory authority to include the regulation of municipal advisors," Kim said, noting that it's been "10 years or so since we implemented our first MA rule and that body of regulation is now essentially complete."

Still, markets change and rules need to change too in order to remain relevant and have their intended impact, which makes this an appropriate time to launch such a review, he said.

The MSRB received approval from the Securities and Exchange Commission in October 2014 to adopt MSRB Rule G-44, its first dedicated rule for municipal advisors.

"As I think Mark and the MSRB pointed out, it's been a good 10 years since the beginning of all the rules being in place, and so it's likely to be a multi-year project," Gaffney said in a recent interview.

A "good first step" would be to make some technical changes to bring the rule book "up to speed to reflect the actual regulatory environment," she said. For example, areas within the MSRB's rules that use the term financial advisor when referring to municipal advisors should be updated, the NAMA executive director said.

"Certainly, people still refer to MAs as FAs, but the rule book should reflect that we are MAs and that's what the MSRB regulates," Gaffney said.

Making such technical changes might sound easy, "but I know it's not easy," she said.

"So we understand that that is a lift," Gaffney said. "Even though it may not be a substantive lift, we know that it nonetheless takes time."

In addition, NAMA hopes that the holistic review looks not only at the rulemaking but also at "all the guidance and different types of materials that the MSRB has produced over the years and kind of bringing that together to be more helpful and useful for the MA community," she said.

For example, "if I have some challenging G-20 questions, I'd like to be able to go to one spot to see all the resources available," Gaffney said.

Given the time that has passed since the MSRB's municipal advisor rules first went into effect, NAMA hopes that the MSRB "will constructively engage with the MA community and determine how various types of MA firms have applied and complied with the rule book," she said.

"This is such a diverse community that hearing from them about where there might be some pain points, some pressure points, is going to be really important," Gaffney said.

Municipal advisors are "very different" from underwriters, she said, adding that when the MSRB is looking at the MA rules, it's important that the language and framework of those rules reflect the various activities that MAs perform for their clients.

Most MA firms are "very small," Gaffney said, adding that before the MSRB makes any big changes to its MA rules, it's important to get input from MAs to ensure the changes are "well understood and not too burdensome."

In addition to being small, MA firms are also "very regional," the NAMA executive director said.

For example, in Minnesota there's a prevalence of competitive bond sales due to state law, which makes that segment of the market "a little bit different than let's say California and other areas," she said.

"So just the issuance practices differ," she said, adding that "how MAs must comply with all MA rules relating to providing services to clients and running a firm varies."

NAMA is "very much looking forward to" working with the MSRB as it undertakes its holistic review of the rules "and hopefully the guidance as well," Gaffney said.

"MSRB looks forward to engaging with NAMA and the MA community as we move forward with MSRB's holistic review of MA rules," Ernie Lanza, chief regulatory and policy officer of the MSRB, said in comments provided to The Bond Buyer on Wednesday.

By Kathie O'Donnell

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