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SEC to Consider Municipal Advisers in 'Near Term' – Commissioner.

The U.S. Securities and Exchange Commission will likely unveil and vote on a long-awaited definition of municipal advisers soon, but the timing depends on two new commissioners joining the federal regulatory agency.

“That will be in the near term I think,” Commissioner Dan Gallagher, a Republican, said on Thursday about consideration of the definition of who counts as a municipal adviser, a crucial element to carrying out the Dodd-Frank financial reform law.

“But one of the things we have to deal with here, too, is we are going to have two new commissioners come on,” he added. “I think they are pretty savvy folks … but they will still need some time to get up to speed.”

Gallagher said he had not read documents detailing the proposed definition. A source within the SEC also said the definition has moved toward the top of the commission’s agenda since Chairman Mary Jo White was confirmed in April.

Dodd-Frank required oversight of those who advise the cities, states and authorities selling municipal debt. More than two years ago, the SEC pulled its initial definition of an adviser after the $3.7 trillion municipal bond market universally panned it for being too broad. The commission then put in place a temporary rule on advisers that expires Sept. 30.

Regulators are concerned that a definition that is too narrow could create loopholes that will make it hard to ensure issuers’, and the public’s, interests are protected.

According to a market source who has tracked the adviser definition, if the U.S. Congress confirms SEC nominees Michael Piwowar and Kara Stein before its August recess, then the commission will likely vote on the final definition in September to give them time to become familiar with the rule. If the nominees are not confirmed, then a vote could come sooner.

In March, the head of the SEC’s municipal bond office, John Cross, said it was close to finishing a new definition that took into account the market’s concerns.

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