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## **MSRB Advances Cornerstone of Regulatory Framework for Municipal Advisors with Proposed Rule on Standards of Conduct.**

Alexandria, VA – To protect state and local governments and investors, the Municipal Securities Rulemaking Board (MSRB) today advanced a cornerstone of its regulatory framework for municipal advisors by publishing a proposed rule on the duties of advisors when providing advice on municipal securities transactions and related products to their clients. The Dodd-Frank Wall Street Reform and Consumer Protection 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 aims to carry out Congress’ intent to protect state and local governments from the potentially costly consequences of relying on financial advice of municipal advisors that may lack sufficient expertise and accountability,” said MSRB Executive Director Lynnette Kelly. “Our proposal would ensure that all municipal advisors adhere to core standards of conduct, and that state and local governments have more complete and accurate information regarding the services of municipal advisors.”

The MSRB’s rule proposal sets forth specific obligations of municipal advisors, including the duty to exercise due care and make only informed and suitable recommendations to their clients. The proposed rule requires municipal advisors to disclose all conflicts of interest to their clients and to document the nature of their relationship with their clients, including compensation arrangements and the scope of advisory activities to be performed. The proposal identifies certain conduct that would be prohibited as deceptive, dishonest or unfair practices. Further, the proposal provides guidance on the application of the federal fiduciary duty, established by the Dodd-Frank Act, which requires municipal advisors to deal with their state and local government clients with the utmost good faith and to put their clients’ interests ahead of their own.

To ensure that the industry and public have adequate time to respond to the proposal, the MSRB is using a 60-day comment period. “The MSRB wants to hear from as many municipal advisors and other market stakeholders as possible on the details of this proposal,” Kelly said. “As a self-regulatory organization, the MSRB will rely on this input to ensure that it establishes appropriate and necessary guidance for municipal advisors on their obligations to their clients.” The MSRB is hosting an educational webinar on the core standards rule on February 6, 2014 at 3:00 p.m. ET. Register for the webinar.

The MSRB will be advancing a series of municipal advisory rule proposals and professional qualification standards following the approval by the Securities and Exchange Commission in September 2013 of a final registration rule for municipal advisors that defined the scope of municipal advisory activities that are subject to federal regulation. Future MSRB rule proposals for municipal advisors will include supervision requirements for municipal advisory firms and their employees; 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 rule proposal on municipal advisor duties incorporates the MSRB's preliminary economic analysis of the benefits, burdens and potential alternatives, and the MSRB requests comment on that analysis in addition to all aspects of the proposed rule.

"The MSRB plans to continue to engage the municipal advisory community, dealers and others through outreach and education as it develops this regulatory framework," Kelly said. Market participants and other interested persons can stay up to date on the MSRB's rulemaking, outreach and education initiatives in this area by visiting the Resources for Municipal Advisors section of the MSRB's website.

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