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SIFMA Statement on the MSRB's Request for Comment on Draft MSRB Rule G-42.

New York, NY, January 9, 2014- SIFMA today released the following statement from Leslie Norwood, managing director, associate general counsel and co-head of SIFMA's municipal securities division, on the MSRB's request for comment on draft MSRB Rule G-42, on duties of non-solicitor municipal advisors:

"SIFMA is pleased that the MSRB has released its request for comment on the standards of conduct for municipal advisors. We feel that all municipal advisors need to understand the scope of their duties and how the term 'fiduciary duty' will be defined for this context. However, we are concerned with a key aspect of this rule proposal.

"Municipal advisor regulation in Dodd-Frank was intended to focus on bringing unregulated municipal advisors under a regulatory regime. Banks and broker dealers that provide any advice to a municipal entity or obligated person would be prohibited from offering principal services as such as, banking services, brokerage accounts, commodities trading, and swaps executions under today's rule proposal. Under the proposed rule, if a bank or broker dealer serves a municipal entity or an obligated person serves as a municipal advisor, then that firm and all its affiliates would be barred from engaging in any principal transactions with that client. As currently drafted, this proposed ban on principal transactions appears to include even transactions completely unrelated to the municipal advisory assignment.

"We are concerned that this would limit issuer choice by effectively preventing banks and broker dealers from being municipal advisors. This proposal is also incongruous with the SEC's staff recommended uniform fiduciary standard of conduct, which would permit acting as a fiduciary and a principal under certain situations.

"SIFMA looks forward to the MSRB's upcoming rule proposals on municipal advisor regulation including professional qualifications and testing, restriction of political contributions, restrictions on gifts and entertainment and supervision. SIFMA feels strongly that until the full series of rules for municipal advisors takes effect, issuers are not fully protected and the playing field for dealer and non-dealer advisors is not level."

Release Date: January 9, 2014

Contact: Katrina Cavalli, 212.313.1181, kcavalli@sifma.org