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SEC Sets July 1 as Start of Municipal Advisor Registration.

July 1, 2014, is the date when the first set of municipal advisors will be required to register under new rules the US Securities and Exchange Commission (SEC) finalized last year.

The SEC adopted the final rules, under the Dodd-Frank Act, on September 18, 2013, which require municipal advisors to register with the commission if they provide advice to municipal entities or certain other persons on the issuance of municipal securities, or about certain investment strategies, or municipal derivatives.

However, accountants do not have to register as municipal advisors if they provide accounting services that include audit or other attest services, preparation of financial statements, or issuance of letters for underwriters, according to the rules.

The new registration guidance was supposed to take effect on January 13, which concluded a sixty-day period that the final rules were published in the Federal Register. However, the start date was pushed back by almost six months to "give market participants additional time to analyze, implement, and comply with the final rules," the SEC stated on Monday.

Kenneth Bentsen Jr., president of the Securities Industry and Financial Markets Association (SIFMA), agreed that the new registration deadline will give firms the time they need to fully review the SEC's guidance and incorporate it into compliance programs and employee training.

"The new compliance date will also give the industry additional time to identify accounts of municipal entities and obligated persons that contain proceeds of municipal securities," he said in a written statement on January 13.

State and local governments that issue municipal bonds frequently rely on advisors to help them decide how and when to issue the securities and how to invest proceeds from the sales. These advisors receive fees for the services they provide.

Prior to the passage of the Dodd-Frank Act in 2010, municipal advisors were not required to register with the SEC like other market intermediaries. According to the SEC, this left many municipalities relying on advice from unregulated advisors, and they were often unaware of any conflicts of interest a municipal advisor may have had.

After the Dodd-Frank Act became law, the SEC established a temporary registration regime, and more than 1,100 municipal advisors have since registered with the SEC.

On January 10, the SEC's Office of Municipal Securities issued interpretive guidance to address questions from market participants regarding the implementation of the final rules on municipal advisor registration.

The staff guidance, in the form of answers to frequently asked questions, covers the following topics:

- The advice standard, including the general information exclusion and the treatment of business

promotional materials used by underwriters.
- The request for proposals/request for qualifications exemption.
- The exemption for independent municipal advisors.
- The exclusion for registered investment advisers.
- The underwriter exclusion, including engagements as underwriters.
- Issuance of municipal securities and post-issuance advice.
- Remarketing agent services.
- Opinions by citizens in public discourse.
- The effective date of the final rules and the compliance period for using the final registration forms.

Posted by Jason Bramwell on Jan 14 2014