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MSRB Requests Comment on Revisions to Draft Rule on Municipal Advisor Standards of Conduct.

Alexandria, VA - The Municipal Securities Rulemaking Board (MSRB) today released for public comment a [revised draft rule](#) to establish the core duties of municipal advisors when providing advice on municipal securities transactions and related products. The revised draft MSRB Rule G-42 addresses a number of issues raised by commenters on the initial draft rule published in January 2014.

“As the foundation of the MSRB’s regulatory framework for municipal advisors, MSRB Rule G-42 will play a central role in achieving the MSRB’s mandate to protect municipal entities that engage the services of a municipal advisor,” said MSRB Executive Director Lynnette Kelly. “It is important to us and to the market that we develop a rule that effectively and appropriately provides guidance on the core responsibilities of municipal advisors to their clients. The comments we received on the previous draft have informed a number of changes to the text of the draft, and the MSRB wants to provide an opportunity for market stakeholders to review and comment on these changes.”

Specifically, the initial draft prohibition on principal transactions has been revised to apply only to transactions with municipal entity clients, not with obligated persons. In addition, to clarify the narrow scope of the prohibition, the revised draft rule defines principal transactions as limited to those directly related to the subject of the municipal advisor’s engagement with the municipal entity client. The definition also specifies the types of transactions that are covered.

Among the other key changes to the draft rule is elimination of specified requirements that municipal advisors review the official statement in a new issue transaction, disclose information about professional liability insurance and estimate in relationship documentation their expected total compensation in dollars. These changes reflect commenter feedback, including the view that the client primarily should control the scope of the engagement with its municipal advisor.

The revised draft rule also clarifies a municipal advisor’s suitability and related obligations when making recommendations to municipal entity and obligated person clients or reviewing the recommendations of others.

To address potential practical and operational issues, the revised draft rule provides relief from certain disclosure and documentation requirements for anyone who inadvertently provides advice that would be considered municipal advisory activity. However, the new provision does not offer a safe harbor from potential violations of Securities and Exchange Commission (SEC) and MSRB registration requirements and other rules for those providing municipal advisory services.

The MSRB’s January 2014 request for comment solicited input on whether the federal fiduciary duty should be extended to apply to municipal advisors that work with obligated persons. The revised draft rule does not extend the fiduciary duty.

Comments are due no later than August 25, 2014. Read the full text of the revised draft rule to view all changes from the January 2014 draft. The MSRB is hosting an educational webinar on the revised

core standards rule on August 14, 2014 at 3:30 p.m. ET. [Register for the webinar.](#)

The MSRB continues to develop additional rules for municipal advisors.

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