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SEC Approves MA Supervision Rule.

WASHINGTON — The Securities and Exchange Commission granted approval Friday of a rule establishing supervisory requirements for municipal advisors, the first new Municipal Securities Rulemaking Board MA rule to get the nod since the SEC's registration regime was adopted last year.

The new requirements of Rule G-44 on supervisory and compliance obligations of municipal advisors take effect April 23, 2015 meaning firms have six months to put the required policies and procedures in place.

By April 23, 2016, the leaders of MA firms must make the first of their annual certifications in writing that the firm has in place processes to establish, maintain, review, test and modify written compliance and written supervisory procedures reasonably designed to achieve compliance with MSRB rules.

"Developing effective procedures for supervision and compliance is a critical step for municipal advisor firms that are newly subject to regulatory oversight," said MSRB executive director Lynnette Kelly. "The MSRB's supervision rule will help firms prevent and promptly detect and address any compliance issues."

The rule requires firms to designate a chief compliance officer, but allows flexibility for smaller or even single-person firms to tailor their compliance policies as appropriate to their size. Dealers have argued that the rule creates too much wiggle room for smaller firms and disproportionately burdens larger firms. Kelly said the rule will promote compliance among all MA firms.

"In addition to the federal fiduciary duty established by Dodd Frank, municipal advisors currently are subject to registration and fair dealing rules, among other requirements established by the MSRB," Kelly said. "When Rule G-44 is in effect, municipal advisor firms will have an explicit obligation to effectively supervise their personnel in the interest of promoting compliance with all regulatory requirements."

The MSRB is in the process of formulating other MA rules, including a core rule on the duties of an advisor. The MSRB will host an education outreach event for MAs in Chicago Nov. 3.

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