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Municipal Bond Advisers Face Curb on Local Political Donations.

Financial advisers to U.S. state and local governments would be barred from using political contributions to win business under a proposal advanced by bond-market regulators.

The Municipal Securities Rulemaking Board said today it will ask the Securities and Exchange Commission to approve curbs on political giving by firms that help officials arrange bond sales.

The proposal is aimed at stopping those businesses from using contributions to curry favor with the officials who hire them. The rules would prevent advisers from working for a local government within two years of making a contribution. Banks that underwrite bonds in the $3.7 trillion municipal market already face such limits.

“Extending the well-established principles of this rule to municipal advisors will similarly work to promote the integrity of the market and the municipal advisory industry,” Kym Arnone, a Barclays Plc managing director who chairs the board, said in a statement.

The curbs are among rules being placed on government advisers as a result of the 2010 Dodd-Frank law, which imposed regulations on such firms for the first time.

The Alexandria, Virginia-based board for years has intended to extend the political-giving ban to municipal advisers. That step was delayed as it waited for the SEC to define which firms should be covered by the new regulations, a move that didn’t conclude until last year.

Arnone told reporters on a conference call that she didn’t know when the proposal would be submitted to the SEC for approval.

“This will get up there as quickly as we can get it up there,” she said.

Bloomberg

By William Selway

Nov 3, 2014 11:30 AM PT

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