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SIFMA Seeking Legislative "Fix" to MA Rule To Ease Burdens on Underwriters.

NEW YORK – The Securities Industry and Financial Markets Association is seeking a legislative fix to the municipal advisor rule so that it is less burdensome for bank and broker-dealer firms, executives of a broker-dealer group said Thursday.

The plan was mentioned as SIFMA leaders commented on the state of the muni market during SIFMA's annual press briefing in midtown Manhattan.

Kenneth Bentsen, SIFMA president and CEO, said his group wants Congress to ease the MA rule so that it does not impact dealer firms so much.

The MA rule, which was approved by the Securities and Exchange Commission last year and took effect July 1, puts into practice the Dodd-Frank Act's requirement that firms providing advice to muni issuers have a fiduciary duty to put their clients' interests first ahead of their own.

SIFMA has been critical of the SEC approach, arguing that it overstepped congressional intent to regulate previously unregulated MAs.

"We would prefer to see Congress go back and revisit that," Bentsen said. "We're dealing with a flawed rule. We're trying to make the best of it."

William Johnstone, chairman and chief executive officer at D.A. Davidson Companies and chair of SIFMA's board of directors, said the rule has changed the way SIFMA members interact with muni clients, as firms must now be sure they have an exemption to the rule before offering advice about muni bonds.

"It's had a significant impact on our operations in the municipal market," he said.

Randy Snook, SIFMA's executive vice president for business policies and practices, said lawmakers ought to allow firms to give their best advice to muni issuers and still underwrite those issuer's bonds. Regulators have said that would be a violation of the rule.

"It's just not a sensible construct," Snook said.

"On the whole, 2014 has been a good year for the industry," said Johnstone.

"The fixed income business this last year has been challenged."

Johnstone said that muni business has been particularly tough for smaller and regional firms, which he said bear a heavier burden with regulatory costs relative to their sizes.

"We will continue to advocate for balanced regulatory reform," Johnstone said.

SIFMA's muni issuance survey, also released this week, showed continued weak issuance due to

increased bank lending and state and local governments' deferral of maintenance and improvements to capital projects.

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