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MSRB To Seek SEC Approval of MA Gifts Restriction, Test Outline.

WASHINGTON - The Municipal Securities Rulemaking Board is preparing to submit to the Securities and Exchange Commission a proposal limiting the gifts municipal advisors can give to state and local employees as well as a study guide for its MA qualifications exam.

MSRB chair Kym Arnone announced the decisions Monday following the board's meeting at its headquarters Alexandria, Va. Last week. Arnone, a managing director and head of municipal securitization at Barclays Capital, inherited several unfinished MA rulemaking endeavors when she assumed the chair in October, and SEC approval of these latest MSRB proposals would be another step toward completion of that agenda.

"The MSRB continues to prioritize the development of regulations and professional qualifications to protect the interests of states and municipalities that rely on the services of municipal advisors," Arnone said. "These measures are consistent with the MSRB's development of a comprehensive framework of rules and standards for municipal advisors stemming from the Dodd-Frank Wall Street Reform and Consumer Protection Act."

The MSRB will seek SEC approval to amend its rule G-20 on gifts and gratuities to cover municipal advisors as well as the broker-dealers it currently restricts. The rule currently prohibits a dealer from giving directly or indirectly any thing or service of value, including gratuities, in excess of \$100 per year to a person if that gift is related to the muni securities activities of the employer of the recipient. The amendment would clarify that the gifts also cannot be related to muni advisory activities.

The rule also would explicitly prohibit dealers and MAs from receiving reimbursement of certain entertainment expenses from the proceeds of an offering of municipal securities. The amended rule will include applicable interpretive guidance, the MSRB said in a release.

In addition, the board is preparing to give the SEC a "content outline" or study guide to the MA competency exam it is developing, Arnone said. The board plans to send the outline to the commission as soon as the SEC approves the related proposal to create different categories of MAs and requires them to take a qualifications test. The MSRB filed that proposal with the SEC in December.

"If approved, a pilot Series 50 municipal advisor exam will be administered later this year and a permanent exam is expected to be in place by 2016," the MSRB said.

"Municipal advisors play a key role in municipal finance transactions, from the most basic to highly complex transactions," said Arnone. "Going forward, passing a basic competency exam will be a requirement for all municipal advisors in—or entering—the profession. Finalizing the blueprint for the municipal advisor exam is a major milestone in this effort."

The Board agreed to an increase in the fees to take the other exams that it has developed and that

are administered by the Financial Industry Regulatory Authority. The fees, which have not been adjusted since 2009, would rise to \$150 from \$60, Arnone said. That figure does not include the cost of administrative fees assessed by FINRA, which range from \$95-\$120 per exam.

Arnone said the board will continue to carefully consider comments on its proposal to require dealers, when acting as principals, to disclose to customers on their confirmations a “reference price” of the same security traded that same day. That proposal, released in November, would apply to principal transactions of less than \$100,000 or those with 100 bonds or fewer, in an effort to attempt to address concerns about hidden markups in so-called “riskless principal transactions.” Dealers have told the MSRB it should withdraw the proposal, but the SEC’s Investor Advocate has voiced support.

The board will next meet April 22-24.

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