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## **MSRB Seeks SEC Approval to Implement Cornerstone Conduct Rule for Municipal Advisors.**

Alexandria, VA - With the [filing today of a key rule proposal with the Securities and Exchange Commission](#) (SEC), the Municipal Securities Rulemaking Board (MSRB) took a significant step toward fulfilling its Congressional mandate to address concerns that a regulatory gap had allowed unaccountable and unqualified individuals to advise state and local governments on multibillion-dollar municipal finance deals. MSRB Rule G-42 would establish core standards of conduct for municipal advisors, provide guidance on the obligations and prohibitions that accompany their federal fiduciary duty to state and local governments, and clarify their duties of care and fair dealing to all clients.

“The MSRB believes this rule will further Congress’ intent to build a framework of federal oversight for the advice state and local governments count on when considering municipal securities transactions and financial products,” said MSRB Executive Director Lynnette Kelly. The Dodd-Frank Wall Street Reform and Consumer Protection Act charged the MSRB with developing a comprehensive package of rules and professional qualification standards for municipal advisors, many of whom were previously unregulated at the federal level.

“The MSRB carefully considered input from across the municipal market and the public to develop a core set of duties tailored to the unique nature of the relationship between a trusted advisor and a state or local government issuer,” Kelly said. “Much like existing regulatory regimes for other financial professionals, the MSRB’s rule would prohibit particular activities and ensure clients get the information they need to make informed decisions about hiring financial professionals and evaluating their recommendations.”

The rule addresses the specific duties of care and loyalty that are components of the federal fiduciary duty established under the Dodd-Frank Act for municipal advisors when dealing with municipal entity clients. The rule includes a ban on engaging in principal transactions with a municipal entity client that are directly related to the transaction for which the municipal advisor is providing advice. Other provisions of the rule apply to municipal advisors in their work with both municipal entity clients and obligated person clients. These provisions include requirements to document the advisory relationship, provide written disclosure of conflicts of interest, and conduct reasonable diligence to support the suitability of recommendations, among other duties. Read an executive summary of key provisions of the rule.

In 2014, the MSRB twice sought industry and public feedback on draft versions of the rule. Today’s SEC filing describes the regulatory justification for each provision of the final proposal and includes detailed written responses to all of the substantive issues raised by commenters. The SEC is expected to publish the MSRB’s proposal in the Federal Register and invite additional public comment before considering whether to approve the new rule.

“MSRB Rule G-42 is deliberately designed to accommodate the diversity of municipal advisors and their clients while still creating strong protections against the types of conduct that can expose state

and local government issuers and other borrowers to unnecessary risks and costly consequences,” Kelly said. “The MSRB intends Rule G-42 to serve as the cornerstone of the MSRB’s developing regulatory framework for municipal advisors and to support our overall mission of promoting market integrity.”

For up-to-date information on the MSRB’s development of a regulatory framework for municipal advisors, visit the Resources for Municipal Advisors section of the MSRB’s website.

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