

# **Bond Case Briefs**

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## **SEC Finds Widespread Compliance Failures Among Municipal Advisors.**

***Risk Alert details ‘frequently observed deficiencies’ in the areas of registration, books and records, and supervision***

The Securities and Exchange Commission’s exam division has released a report showing widespread compliance failures among municipal advisors.

In a Nov. 7 [risk alert](#) on observations from municipal exams, the agency’s Office of Compliance Inspections and Examinations said it had conducted more than 110 exams of municipal advisors and evaluated their compliance with registration, statutory fiduciary standard of care, fair dealing, recordkeeping and supervision.

Examiners most frequently observed “deficiencies in the areas of registration, books and records, and supervision,” the alert states, with some firms being referred to the enforcement division.

The report’s key takeaway: “Municipal advisors should take steps to educate themselves regarding their compliance obligations,” the SEC warned.

Lynnette Kelly, director of the Municipal Securities Rulemaking Board, which is overseen by the SEC, told ThinkAdvisor in an email message that MSRB “encourages the municipal advisory community to carefully consider the SEC’s examination feedback.”

“A robust compliance and enforcement regime is critical to ensuring the integrity of the municipal securities market,” she said, adding that the MSRB has established “a strategic goal to provide compliance assistance to regulated entities.”

Municipal advisors and municipal securities dealers, she continued, “will be seeing a significant increase in MSRB outreach events, educational opportunities and the release of various forms of compliance aids, all with the goal of facilitating compliance with MSRB rules.”

Municipal advisors became subject to SEC registration and jurisdiction pursuant to the Dodd-Frank Act of 2010.

The risk alert “is the warning shot across the bow for municipal advisors,” according to Cipperman Compliance Services. OCIE publishes examination findings and recommendations “as a foreshadowing of impending enforcement actions.”

**ThinkAdvisor**

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