

Bond Case Briefs

Municipal Finance Law Since 1971

FINRA Reminds Firms Of Potential Municipal Advisor Registration Obligations.

In newly issued guidance, FINRA [reminded](#) firms doing business with municipalities to implement appropriate supervisory procedures to avoid conducting unregistered municipal advisory activities.

FINRA stated that the definition of “municipal advisor” is extremely broad and includes any “person recommending an investment strategy to a municipal client regarding how to invest the proceeds from the issuance of municipal securities.” FINRA noted that the advice need not be in any way related to transactions in municipal securities and that the standard for registration is extremely low. As a result, a firm providing regular brokerage services to a client that is a municipal entity can cross the line and become a municipal advisor.

FINRA cautioned broker-dealers to implement “reasonably designed” supervisory systems and controls to (i) identify new and existing municipal client accounts and (ii) determine the source of funds deposited into the accounts of such municipal clients. Should a municipal client’s account hold the proceeds of a municipal securities offering, FINRA warned, making recommendations as to the investment of those funds may trigger registration as a municipal advisor absent an exemption. Firms seeking to fall outside the scope of municipal advisor registration must implement procedures to prevent personnel from making recommendations as to the investment of proceeds of municipal securities offerings, or fall within an exemption from municipal advisor registration.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

Cadwalader, Wickersham & Taft LLP

August 21 2019

Copyright © 2020 Bond Case Briefs | bondcasebriefs.com