
FINRA Fines Wells Fargo Clearing Services \$137.5k for Alleged Violations Related to Unregistered Advisor Activity.

Wells Fargo Clearing Services has agreed to pay \$137,500 to settle a Financial Industry Regulatory Authority allegation that the firm violated a municipal securities rule by failing to set up and maintain a supervisory system reasonably designed to achieve compliance with federal securities laws that ban unregistered municipal advisory activity.

The \$137,500 fine for allegedly violating Municipal Securities Rulemaking Board Rule G-27 was part of a \$275,000 total fine imposed on the St. Louis, Mo.-based firm by FINRA, which also alleged certain FINRA rule violations.

Wells Fargo (WFC) was also censured, according to a settlement document accepted by FINRA on Aug. 11. The firm consented to FINRA's findings without admitting or denying them, the document said.

FINRA found that from at least June 2019 to November 2024, Wells Fargo (WFC) failed to set up and maintain a supervisory system – including written supervisory procedures – “that was reasonably designed to achieve compliance with Section 15B(a)(1)(B) of the Securities Exchange Act of 1934, which prohibits unregistered municipal advisory activity,” according to the document.

That section of the Exchange Act prohibits broker-dealers from providing advice to municipal entities concerning, among other things, investing proceeds from the issuance of municipal securities “unless the broker-dealers are registered as a municipal advisor, with certain inapplicable exceptions,” the document said.

“In Regulatory Notice 19-28, FINRA reminded members that if they are not registered as municipal advisors yet hold or transact in municipal entities’ accounts, they must establish and maintain a supervisory system and WSPs that are reasonably designed to detect and prevent investment-related activities that would require registration as a municipal advisor,” the settlement document said.

During the period from at least June 2019 to November 2024, “Wells Fargo (WFC) had hundreds of municipal entity customers who transacted in municipal and non-municipal securities in their firm accounts, but the firm was not registered as a municipal advisor,” the document said.

The firm didn't establish and maintain a supervisory system – including WSPs – that was reasonably designed to ensure that the investment-related activities of the firm and its associated persons didn't require Wells Fargo (WFC) to register as a municipal advisor.

While Wells Fargo's (WFC) WSPs prohibited its associated persons from advising municipal entities about investing proceeds from the issuance of muni securities, the firm didn't supply guidance to its associated persons about what constituted providing such advice and what other activities require registration as a municipal advisor, the document said.

The firm also lacked any process for identifying whether deposits in municipal entities' accounts were proceeds from the issuance of municipal securities and didn't institute controls to detect and prevent associated persons from advising municipal entities on how to invest proceeds from the issuance of muni securities, the document said.

"While Wells Fargo (WFC) relied on provisions in its client account agreement and disclosures provided to customers in their year-end account statements to help ensure municipal entities were not depositing proceeds from the issuance of municipal securities, these provisions and disclosures were not prominent," the document said, adding that the firm "did not otherwise take reasonable steps to ensure that its services for municipal entities did not include providing advice on the investment of proceeds from the issuance of municipal securities and thus constitute municipal advisory activity."

Through its failure "to establish and maintain a reasonable supervisory system and procedures, Wells Fargo (WFC) violated MSRB Rule G-27," the settlement document said.

In November 2024, the firm "took steps to modify its supervisory system, including its WSPs, relating to municipal advisory activity," the settlement document said.

The firm did not immediately respond to a request for comment.

By Kathie O'Donnell

BY SourceMedia | MUNICIPAL | 08/13/25 10:52 AM EDT

[S&P Sustainable Finance FAQ: Sustainable Bond Impact And Transparency In Post-Issuance Reporting](#)

This FAQ focuses on post-issuance reporting of sustainable use-of-proceeds instruments. It does not factor into credit ratings or comment on credit ratings.

Post-issuance reporting for sustainable (green, social, or sustainability) use-of-proceeds (UOP) instruments plays a vital role in demonstrating both allocation of funds and real-world impacts. External review providers (such as S&P Global Ratings) may have access to intended allocations and expected impact metrics when assessing pre-issuance sustainable frameworks or financings. Post-issuance reporting, however, provides the first opportunity to evaluate how those initial expectations compare to actual implementation and outcomes.

High quality post-issuance reporting and independent external reviews help demonstrate the issuer's allocation of proceeds in line with the eligibility criteria and sustainability commitments outlined in its corresponding pre-issuance framework or financing documents. These reviews also assess performance—whether meeting, exceeding, or falling short of pre-issuance expectations—and allow for informed stakeholder and fund provider decision-making while enabling the transition to a more sustainable future resilient to environmental and social challenges.

We anticipate post-issuance reporting will continue evolving toward greater consistency and transparency, driven by rising market demands for clarity on real-world outcomes as the impacts of climate change increase, advancements in data collection and validation technology, and increasing coalescence around standardized reporting frameworks.

[Continue reading.](#)

14-Aug-2025 | 12:50 EDT

After Muni Bond Fund Blows Up, Broker-Dealers Osaic and Stifel Nicolaus Face Questions.

Plaintiff's lawyers are eying both broker-dealers for potential client complaints.

A small municipal bond fund, the [Easterly ROCMuni High Income Municipal Bond Fund](#) (ticker: RMHIX) hit the skids in June, losing close to half its value and now with a net asset value (NAV) of \$2.95 per share.

Plaintiff attorneys who work with clients seeking damages from broker-dealers in such cases have [pointed to two firms](#), Osaic Wealth and Stifel Nicolaus & Co., as potential targets of investor lawsuits.

Jake Zamansky, a plaintiff's attorney based in New York, said on Thursday morning he has one client who worked with an Osaic financial advisor on Long Island and invested in the Easterly Fund.

"The Easterly Fund was a speculative high risk "junk bond" fund that should never have been recommended to retail clients," Zamansky said. "Many of the bonds in the fund lacked a liquid market. And when the fund collapsed, investors were left holding the bag."

An Osaic Wealth financial advisor recommended that one customer, an 84-year-old widow, invest in the fund in May, days before it lost half its value, according to Zamansky. So far, that client has allegedly lost 35% of her savings.

Meanwhile, a Thursday morning press release from law firm Shepherd Smith Edwards & Kantas said the firm was looking to speak with Stifel clients in Kentucky who were sold the fund.

"The Easterly Fund was marketed as a municipal bond that purportedly invests at least 80% of its net assets in tax exempt debt securities," according to the press release. "While most municipal bond funds are relatively safe, the Easterly Fund was quite different and very risky.

"For example, most of its securities are poorly rated, below investment grade bonds commonly referred to as 'junk bonds,'" according to the press release. "Moreover, the majority of the bonds in the Easterly Fund were not backed by any municipality, like a state or local government, but rather they were bonds issued by small companies for often speculative projects."

According to Morningstar.com, the Easter Fund's I or Institutional share class has \$15.1 million in total assets.

And according to the Easterly Fund homepage, the fund had an MAV as of the close of trading on Wednesday of \$2.95. For the year, the fund's performance is down 56.3%. Most of the fund's sharp decline occurred over a few days in the middle of June.

A spokesperson for Easterly Asset Management declined to comment.

According to its website, Easterly Asset Management at the end of last year, along with its partners,

managed more than \$60 billion in a variety of strategies.

A spokesperson from Osaic did not immediately return a call Thursday afternoon to comment.

“Stifel shares investors’ concerns about the recent performance and management of the fund,” a Stifel spokesperson said. “Despite our formal request to Easterly for detailed information about how its management of the fund led to investor losses, we have yet to receive any reply.”

investmentnews.com

by Bruce Kelly

AUG 08, 2025

[Why Is the Fragmented Municipal Bond Market So Costly to Investors and Issuers?](#)

Abstract

The municipal bond market plays a crucial role in providing capital to US municipalities and functions through a network of underwriters, municipal advisors, credit rating agencies, insurers, individual and institutional investors, and multiple regulators. Many of these market participants have significant asymmetric information and conflicting incentive structures, which can sometimes lead to disparate and seemingly inefficient outcomes. Puzzles documented in the academic literature include high underwriting costs, conflicting roles by municipal advisors, extreme and widely varying trade markups, investment holdings that are often not tax-efficient, inconsistent implied marginal tax rates, a heavy reliance on credit ratings, little benefit but widespread use of insurance, delayed use of call provisions, and inconsistent treatment of accounting information. We review issues in the municipal bond market and propose implementable suggestions that would hopefully allow for a more competitive and low-cost market for both taxpayers and investors.

[Continue reading.](#)

by John M. Griffin, Nicholas Hirschey, Samuel Kruger

The Journal of Economic Perspectives, Vol. 39, No. 2 (Spring 2025), pp. 235-260 (26 pages)

<https://www.jstor.org/stable/27378766>

[Law Firms Investigating Losses in Easterly ROCMuni High Income Municipal Bond Fund.](#)

GARDEN CITY, N.Y., Aug. 6, 2025 /PRNewswire/ — Between June 12 and June 16, 2025, the Easterly ROCMuni High Income Municipal Bond Fund (symbol “RMHIX”) (formerly known as “Principal Street High Yield Fund”) lost half its value. The law firms of Deutsch & Lipner and The Law Offices of Jonathan W. Evans & Associates allege that this Municipal Bond Fund was, despite its name, a risky junk bond fund, that owned illiquid corporate and other unrated and low-rated securities.

Eric Jacobson in a December 2023 article in Morningstar warned about the liquidity of the bonds owned by the Fund (and other issues as well); a year and a half prior to its collapse
<https://www.morningstar.com/bonds/6-critical-lessons-bond-investors>

Deutsch & Lipner and The Law Offices of Jonathan W. Evans & Associates allege that some financial advisors disregarded or failed to heed the warnings.

Deutsch & Lipner of Garden City, New York and The Law Offices of Jonathan W. Evans & Associates of Los Angeles, California are investigating instances of inappropriate recommendations / purchases of this Fund by investment advisors, including those affiliated with Commonwealth Financial. Several investors have already lodged complaints against this firm.

As part of our representation of three investors who are complaining about losses in the Fund, our firms seek information, including but not limited to sales materials, performance projections, emails or other communications from financial advisors about the Fund. Such documents could include material sent to investors about the Fund, its features, or its appropriateness for retirees and other conservative or moderate-risk investors.

The attorneys at Deutsch & Lipner (DeutschLipner.com) and the Law Offices of Jonathan W. Evans and Associates (StockLaw.com) have over a century of experience representing investors in FINRA arbitration claims. The firms have, collectively, recovered hundreds of millions of dollars for aggrieved investors throughout the United States.

Please contact either law firm if you have information about advisors who were recommending the Easterly ROCMuni High Income Municipal Bond Fund.

Deutsch & Lipner

Aug 06, 2025, 07:03 ET

Media Contact:
Seth Lipner Esq.
516 294-8899

[Growing Cybersecurity Risks in the Municipal Bond Market: Frost Brown Todd LLP](#)

In November 2024, the Township of White Lake, Michigan, fell victim to a cyberattack resulting in the wiring of approximately \$29 million to the unauthorized account of the culprit. Before White Lake imminently closed on its issuance of general obligation bonds to finance new governmental buildings, the hacker was able to access the township's email system, impersonating an official of the township and sending altered wiring instructions to the underwriter of the bond. At the closing, instead of the township account, the purchase price was wired to the hacker. The sale of the bonds was ultimately canceled, and to this date, only approximately \$21 million of the purchase price has been recovered. The underwriter is suing the township for the remainder.

Cyberattack Frequency and Disclosures

In recent years, there has been an increase in the frequency and media coverage of cyberattacks, from phishing scams to ransomware, and corporations are constantly working to stay ahead of bad

actors by improving policy and technology. As evidenced by the White Lake cyberattack, the municipal markets are not immune to this threat—in fact, the public sector was the third most targeted sector by foreign nation-state cyber threat actors in 2024, according to Microsoft Threat Intelligence’s global 2024 Digital Defense Report.

Tracking the rate of these incidents in the municipal market can be difficult, as there are currently no official guidelines from the Securities and Exchange Commission (SEC) pertaining to municipalities and their disclosure of cybersecurity risks or attacks. Issuers may be hesitant to make such disclosures for fear of the negative impact on their credit ratings and the associated negative publicity. This hesitation is well founded: two issuers, one in California and one in Maryland, recently had their credit downgraded after suffering cyberattacks. However, experts believe that, despite the potential credit impact, disclosure is essential, as it allows law enforcement to better understand cyberattack trends, build their databases, and develop strategies to prevent future attacks.

[Continue reading.](#)

Frost Brown Todd LLP - Ben Hadden and Chris Ansell

July 30, 2025

MSRB Announces New Board Members for FY 2026.

Washington, DC -The Municipal Securities Rulemaking Board (MSRB) today announced that it has elected four new Board members for Fiscal Year 2026 who will serve four-year terms, which begin on October 1, 2025.

The announcement follows MSRB’s fourth quarterly Board meeting of FY 2025 where Natasha Holiday was elected to serve as Board Chair and Wendell Gaertner was elected to serve as Vice Chair. Their one-year terms begin on October 1, 2025.

“MSRB’s Board of Directors is pleased to announce the election of this accomplished class of new Board members who will bring fresh perspectives to the work that strengthens the municipal securities market and protects investors, issuers and the public interest,” Chair-elect Holiday said. “The Board’s Nominating Committee was charged with recommending one municipal advisor, one broker-dealer, and two public members to join the Board next year.”

The new public members joining the MSRB Board in FY 2026 are Nancy Feldman, Chief of the Division of Fiscal Management for Montgomery County, Maryland, and JoLinda L. Herring, CEO and Managing Shareholder, Bryant Miller Olive. The new regulated members joining the Board are Vivian Altman, Managing Director and Head of Public Finance, Janney Montgomery Scott, and Daniel Hartman, Managing Director and Immediate Past CEO, PFM Financial Advisors LLC.

Biographical information for Altman, Feldman, Hartman and Herring can be found below.

Vivian Altman is Managing Director and Head of Public Finance for Janney Montgomery Scott, where she oversees their public finance business with a focus on leading the organization’s business and client development efforts and expanding its sector and geographic presence. Prior to Janney Montgomery Scott, Altman held roles as an investment banker, municipal advisor, and issuer. Altman holds a Bachelor of Arts in Economics from Barnard College, a Master of Arts in Economics

from the University of Pennsylvania, and, in 2024, was recognized as a Trailblazing Woman in Public Finance, receiving the Private Sector Freda Johnson Award.

Nancy Feldman is the Chief of the Division of Fiscal Management for Montgomery County, Maryland, where she is responsible for oversight of the county's cash and investments, debt, revenue forecasting, economic development administration, and fiscal policy analysis. Prior to her work with Montgomery County, Feldman held various positions at Wells Fargo Securities including as Managing Director, Public Finance, Government and Institutional Banking, where she managed the public finance investment banking department and developed strategy for new business in public finance. Feldman holds a Bachelor of Arts in Economics from SUNY Albany and an MBA in Finance from Baruch College.

Daniel Hartman is Managing Director and Immediate Past CEO for PFM Financial Advisors LLC, where he led the organization through its transformation into a stand-alone financial advisory and consulting company. Prior to his tenure as CEO, Hartman led PFM's Financial Advisory practice, was responsible for all municipal advisory services throughout the U.S., and headed the national utilities practice in the U.S. He holds a Bachelor of Arts in Economics and International Relations from the University of North Carolina Chapel Hill.

JoLinda L. Herring is CEO and Managing Shareholder for Bryant Miller Olive, where she is a member of the firm's Public Finance Group. She has over 30 years of experience practicing public finance law and currently serves as bond counsel, disclosure counsel, and underwriter's counsel to various government entities across the States of Florida and Connecticut. Herring began her career at Bryant Miller Olive as a law clerk. She holds a Bachelor of Science in Chemistry from Fisk University, an MBA in Finance with honors from Vanderbilt University, and a JD from Florida State University College of Law.

The new Board members were selected from a pool of over 50 applicants this year.

"We are grateful for and appreciate all of the highly qualified candidates who demonstrated their commitment to public service and giving back to the municipal securities market by applying to serve on the Board," MSRB CEO Mark Kim said.

July 30, 2025

Aleis Stokes, Chief External Relations Officer
202-838-1500
astokes@msrb.org

[Trends in Municipal Securities Trading: Broker's Brokers vs. Alternative Trading Systems](#)

[Read the MSRB report.](#)

[MSRB Approves FY 2026 Budget, Amended Rate Card Filing, Elects Board Leadership at Quarterly Board Meeting.](#)

Washington, D.C. – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) met on July 23-24, 2025, holding the final quarterly meeting of fiscal year 2025. The Board approved the FY 2026 budget, approved the filing of an amended Rate Card with the SEC for calendar years 2026-2029, held FY 2026 officer elections for MSRB Board Chair and Vice Chair, and elected four new Board members for four-year terms beginning on October 1, 2025.

FY 2026 Budget

The Board approved a \$46.2 million budget for FY 2026, representing a decrease of 5.2 percent or \$2.6 million compared to MSRB's FY 2025 budget. A more detailed budget summary, with MSRB's projected expenses, revenues and reserve levels, will be published in October at the beginning of the fiscal year.

"Upholding our commitment to financial stewardship, budget transparency and public accountability remains of paramount importance to MSRB staff and its Board of Directors," MSRB Board Chair Bo Daniels said. "An open dialogue with stakeholders has provided us with valuable feedback and perspective as we developed our budget for FY 2026."

Multiyear Rate Card

The Board approved filing an amended Rate Card with the SEC for calendar years 2026-2029. The proposed multi-year rate card is designed to provide the industry with greater certainty and stability with respect to fees. In addition, the proposal is expected to reduce MSRB surplus reserves over the next two years by providing a temporary credit against certain market activity-based fees.

"Over the past year, I have been grateful for and appreciate the industry's engagement as we have worked to address their concerns and questions regarding our budget, reserves and fees," MSRB CEO Mark Kim said. "We heard our stakeholders loud and clear, and we hope the amended rate card will provide the industry with greater transparency, less volatility, and more certainty with respect to MSRB's fees going forward."

Board Leadership for FY 2026

The Board held FY 2026 officer elections and considered candidates to fill vacancies on the Board. The Board elected Natasha Holiday, Managing Director, Co-Head of Infrastructure East, RBC Capital Markets, to serve as FY 2026 Chair of the Board. Wendell Gaertner, Senior Managing Director of Public Resources Advisory Group, Inc. (PRAG), will serve as Vice Chair. Officer terms are for one year and begin on October 1, 2025. The terms of MSRB's outgoing Chair Bo Daniels and Vice Chair Jennie Bennett end on September 30, 2025.

"I am pleased to announce the election of Natasha and Wendell as our incoming Chair and Vice Chair—especially as they represent the two market participants that MSRB regulates, broker-dealers and municipal advisors," Daniels said. "I congratulate them on this tremendous honor and know the industry will be well represented with their leadership when they take the reins as Board Chair and Vice Chair in October."

Four new Board members were also elected for four-year terms beginning on October 1, 2025. More information on these candidates will be shared in the coming days.

In addition, the Board discussed the following initiatives:

Market Regulation

- [MSRB Rule G-27](#) Request for Comment: Approved issuing a request for comment on draft amendments to provide more flexibility in connection with dealer supervision requirements.
- Retirement of Financial Advisor Terminology: Approved issuing a request for comment on draft amendments to replace use of the term “financial advisor” in MSRB rules with the term “municipal advisor.”
- Open Contractual Commitments: Discussed industry concerns regarding contractual commitment charges for syndicate members.

Market Transparency and Market Structure

- Received an update on the modernization of the Electronic Municipal Market Access (EMMA) website and related market transparency systems.
- Received an update on recent municipal market activity and current MSRB research.

Date: July 24, 2025

Contact:

Aleis Stokes, Chief External Relations Officer

202-838-1500

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[Pricing Climate Risks: Evidence from Wildfires and Municipal Bonds - Brookings](#)

Abstract

How do financial markets respond to anticipated climate-driven wildfire risk? Using high-resolution meteorological forecasts, land use data, and U.S. municipal bond spreads, we find that municipalities facing greater future wildfire exposure already incur higher borrowing costs: A one standard deviation increase in projected wildfire risk raises primary (secondary) market spreads by 14 (26) basis points – over 40% of the sample mean. Impacts are significantly larger in areas with higher minority populations and greater reliance on local revenue. Our study contributes to the broader literature by introducing a new approach to identifying the financial effects of evolving climate risks.

[View the working paper.](#)

[View slides.](#)

Brookings 14th Annual Municipal Finance Conference

Authors: Woongchan Jeon, Lint Barrage, and Kieran James Walsh

[Who Labels and What's Priced? Evidence from Third-Party ESG Assessments in the Municipal Bond Market - Brookings](#)

Abstract

We study the supply and pricing dynamics for ESG labels using a novel and unexpected third-party assessment of environmental, social, and governance (ESG) characteristics for over \$1 trillion in municipal bonds. We show that most eligible bonds are issued without ESG labels and that local beliefs and issuance terms discourage labeling. Using a difference-in-differences design in combination with these assessments, we provide within-bond evidence that reducing ESG-related uncertainty increases investors' willingness to pay. We find a 3-4 basis point premium for assessed bonds, even those with average ESG scores (i.e., ineligible for ESG labels) – which we call an assessment effect. The greenium for higher environmental or transparency scores is smaller but significant. These pricing effects are consistent across local characteristics, but are much larger for revenue bonds with material credit risk. Our evidence highlights the general relevance of ESG information in assessing credit risk and a mismatch between its supply and investor demand.

[Download the paper.](#)

Brookings 14th Annual Municipal Finance Conference

Authors: Daniel Garrett (University of Pennsylvania Wharton School), Brian Gibbons (Oregon State University), and Mahdi Shahrabi (University of Pennsylvania)

Dealer 'Quid Pro Quo' Shapes Bond Markups, Paper Says.

An academic investigation into “reciprocity” among broker-dealers in secondary market trading has found that larger dealer networks tend to boost liquidity and competition while smaller networks bring higher markups for customers and raise questions about collusion.

Presented Wednesday at the Brookings annual municipal finance conference, the paper, “[Dealer Quid Pro Quo in the Municipal Bond Market](#),” examines “favor trading” among dealers who form networks to trade municipal bonds.

The authors were interested in investigating how the characteristics of dealer networks affected trading prices and found a “noticeable gap in examining reciprocal relationships among dealers,” the paper said.

“Does reciprocal ‘favor trading’ help liquidity or enable rent extraction?” asked Casey Dougal, an associate professor in the Department of Finance at Florida State University’s College of Business and one of the authors, who presented the paper at the conference.

Dougal co-wrote the paper with Daniel Rettl and Vasilii Yakimenko, both from the Department of Finance at the University of Georgia’s Terry College of Business.

“Most of the time, dealer cooperation, grounded in a system of favors, reduces markups and passes along the savings to customers,” Dougal said. “For the most part, 98% of the time these relationships are really beneficial to customers,” he said. “Some of the time it looks like there’s some collusion going on,” he said.

“That’s kind of a strong word,” he added. “We didn’t observe the dealer identities, so it’s a shortcoming of our study,” Dougal said. But “we think that probably more investigation into those groups of traders might be warranted.”

The paper finds that among high-centrality dealers in large communities, high reciprocity lowers average markups by 80 basis points.

Among low-centrality dealers in small communities, reciprocity raises markups by 72 basis points, raising questions of collusion.

High-centrality refers to firms that “occupy central positions and have more connections.”

The “small cohort of highly reciprocal, peripheral dealers” tend to “operate in networks roughly one-sixth the size of other peripheral dealers, but their transaction chains are nearly twice as long, indicating repeated trading within the same closed circle,” the paper said.

“Their transactions also feature slightly smaller trade sizes and bonds with more complex contractual features, consistent with a strategic focus on retail investors, who are more susceptible to cognitive biases or limited financial literacy.”

The colluding dealers may be operating in “niche markets” where pricing and trading are “more challenging, leading to longer chains and justified higher markups due to increased risk, effort, and the value of their specialized services,” the authors said.

The study also found a higher incidence of “anomalous trading and strategic pricing” by those dealers. “We find their deals have an unusually high incidence of “round-trip” chains in which the initiating and concluding dealers are identical, raising concerns about pump-and-dump strategies that shift costs onto retail investors.”

The authors used Municipal Securities Rulemaking Board data to study 40 million intra-day municipal bond trades between 2014 and 2018.

The paper “identifies a new force that is quite strong in dealer networks,” said Ivan Ivanov of the Federal Reserve Bank of Chicago, who discussed the paper at the conference. “The authors find that reciprocity does play a role, both at the core of the dealer network and also on the outside, so this is very key.”

Ivanov suggested that the sample time should be expanded since muni trading has changed “immensely” since 2018. It’s unclear what role electronic trading, for example, plays in interdealer trading chains and whether alternative trading systems could mask as reciprocity, he said.

All markup costs have fallen “a ton over time,” Ivanov said, which appears to be due to the role of the ATS.

The suggestion of strategic trading among some of the dealers is a “strong claim,” Ivanov said. “I’m not saying it’s false,” he added. “But there’s a very high burden of proof.”

A broker-dealer in the audience took exception to the paper’s conclusions.

“From a practitioner’s standpoint, at a high level, this generally just doesn’t happen in the market,” he said.

“You have to take into perspective the eat-or-be-eaten mentality of broker dealers” whose highest goal is to place bonds directly with customers, he said. “There’s no feeling of reciprocity among the dealers; they really don’t like each other.”

“I know they don’t like each other, but maybe in a distressed period they’d like to be friends,”

Dougal said.

“What you’re talking about is against the law,” the audience member responded.

By Caitlin Devitt

BY SourceMedia | MUNICIPAL | 07/24/25 10:07 AM EDT

NFMA 2026 Annual Conference - Call for Volunteers

Conference Co-Chairs Eric Kim and Jane Ridley are seeking volunteers for the 2026 Annual Conference Planning Committee. The Annual Conference will be held at the InterContinental Buckhead, Atlanta, Georgia May 12-16, 2026.

[Click here](#) for information required for application to this committee.

GFOA: Taking the Pulse of Local Government Finance

Just how widely adopted are the practices espoused by GFOA? This is an important question that did not have a good answer ... until now. In summer 2024, GFOA partnered with Civic Pulse to conduct a national survey exploring how widely GFOA-recommended practices are adopted by local governments. With 497 responses from municipalities and counties across the U.S.—including both members and non-members—the survey offers new insight into the current state of public finance. Topics covered include the location of the budget function, financial planning time horizons, gaps between aspirations and reality in budgeting, top concerns of budget officers, public engagement efforts, and self-evaluations of financial management. This summary report provides a snapshot of where local governments stand today and highlights opportunities for continued growth and support in the profession.

[Download](#)

Publication date: July 2025

MSRB: Performance of Municipal Bond Exchange-Traded Funds During April 2025

[Read the MSRB report.](#)

MSRB Announces Agenda Topics for Quarterly Board Meeting.

Washington, DC – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) will meet on July 23-24, 2025, to hold the fourth and final quarterly meeting of fiscal year 2025. The

Board will vote to approve MSRB's proposed FY 2026 budget and the filing of an amended Rate Card with the SEC for calendar years 2026-2029. The Board will also hold FY 2026 officer elections for MSRB Board Chair and Vice Chair and elect four new Board members.

Additional highlights of the Board discussion will include:

Market Regulation

The Board will discuss several regulatory initiatives and receive updates on MSRB's ongoing retrospective rule reviews, including:

- [Rule G-27](#) Request for Comment: Consider publishing a request for comment on draft amendments to provide more flexibility in connection with dealer supervision requirements.
- Retirement of Financial Advisor Terminology: Consider publishing a request for comment on draft amendments to replace use of the term "financial advisor" in MSRB rules to "municipal advisor."
- Open Contractual Commitments: Discuss industry efforts in connection with communications to facilitate removal of open contractual commitment charges for syndicate members.

Market Transparency and Market Structure

The Board will address initiatives designed to facilitate an effective, well-functioning market, including:

- The modernization of the Electronic Municipal Market Access (EMMA) website and related market transparency systems.
- An update on recent municipal market activity and current MSRB research.

[NFMA Comment Letter to GASB.](#)

On June 24, the NFMA submitted a comment letter on the Governmental Accounting Standards Board's Preliminary Views, Severe Financial Stress and Probable Dissolution Disclosures. To read the letter, [click here](#) or go to Resources/Comments to GASB.

National Federation of Municipal Analysts

June 24, 2025

[Proposed Rule Changes to Amend FINRA Rule 6730 \(Transaction Reporting\) and Rule G-14 RTRS Procedures Under MSRB Rule G-1: SIFMA Comment Letter](#)

Summary

SIFMA and SIFMA AMG provided comments to the U.S. Securities and Exchange Commission (SEC) regarding FINRA and the MSRB's amendments to their rules regarding the reporting of transactions of certain fixed-income products under Rules 6730 and G-14, respectively (collectively, "the 2025 Proposal").

[GASB Provides Guidance to Assist Stakeholders With Application of Its Pronouncements.](#)

Norwalk, CT, June 23, 2025 — The Governmental Accounting Standards Board (GASB) today issued implementation guidance in the form of questions and answers intended to clarify, explain, or elaborate on certain GASB pronouncements.

Implementation Guide No. 2025-1, [Implementation Guidance Update—2025](#), contains new questions and answers that address application of GASB standards on leases, accounting changes and error corrections, conduit debt obligations, cash flows reporting, compensated absences, and financial reporting model improvements. The guide also includes amendments to previously issued implementation guidance related to ownership of an asset and governmental fund type definitions.

The GASB periodically issues new and updated guidance to assist state and local governments in applying generally accepted accounting principles (GAAP) to specific facts and circumstances that they encounter. The guidance is developed based on:

- Application issues raised during due process on GASB pronouncements,
- Questions it receives throughout the year, and
- Topics identified by members of the Governmental Accounting Standards Advisory Council and other stakeholders.

The guidance in Implementation Guides is cleared by the Board and constitutes Category B GAAP. The guide is available to download free of charge on the GASB website, www.gasb.org.

[NFMA's RBP in Disclosure for Public Power Electric Utilities & Joint Action Agencies Released](#)

[Recommended Best Practices in Disclosure for Public Power Electric Utilities & Joint Action Agencies](#)

June 2025.

[Regulators to Hold Outreach Event for Municipal Market Professionals.](#)

Washington D.C. — The Municipal Securities Rulemaking Board (MSRB), Securities and Exchange Commission and FINRA today announced that [registration is now open](#) for the 2025 Joint Compliance Outreach Program, a two-day event to discuss compliance and regulatory matters directly with municipal market professionals. **The program will be held virtually via Zoom on November 18 and 19.**

The event gives market professionals the opportunity to share perspectives on how firms are evolving and responding to business, regulatory, and technology matters. This year's program provides practical and tailored discussions addressing top concerns and interests among municipal securities dealers and municipal advisors, including conflicts of interest, broker-dealer primary offering and pricing practices, compliance concerns, and other key municipal market topics.

"The Compliance Outreach Program is dedicated to discussing regulatory challenges in the municipal securities market," said Dave Sanchez, Director of the SEC's Office of Municipal Securities. "Interacting with panelists and members of the public on compliance concerns and emerging issues helps regulators create a more efficient regulatory environment for the municipal securities industry."

"We look forward to hearing from dealers and municipal advisors about opportunities and challenges in meeting their regulatory obligations in the evolving municipal securities market," said MSRB Chief Regulatory and Policy Officer Ernesto Lanza. "Insights from this program will inform our retrospective rule review, which is an ongoing assessment of our rules to modernize requirements, reduce undue burdens and facilitate innovation."

"The Compliance Outreach Program fosters essential dialogue between regulators and municipal securities firms," said Michael Solomon, Executive Vice President of Examinations and Membership Application Program at FINRA. "We are pleased to partner with the SEC and MSRB to offer meaningful conversations where municipal market professionals not only hear from their regulators but also work with them to advance this crucial market."

Municipal market professionals can submit questions and topics of interest in advance of the event by emailing sessionquestions@finra.org. A recording of the event will be archived for later viewing on the SEC website.

Date: June 25, 2025

Contact:

Aleis Stokes, Chief External Relations Officer
202-838-1500
astokes@msrb.org

[An Ever-Evolving Citadel for Public Finance.](#)

Now 25,000 members strong, financially secure and long blessed with thoughtful leadership, the Government Finance Officers Association is poised to address the challenges to come for those who manage the public purse.

For most people, the inner workings of government finance are about as interesting as their dishwasher's owner's manual. But it's safe to say that none of the various national associations of public service professionals has had a broader impact on a core function of society — the nurturing and protection of the public purse — than the Government Finance Officers Association (GFOA). Getting the money right enables everything else.

Long recognized as a powerhouse of professionalism, as GFOA advances well into its second century its leaders are moving with admirable determination to position it for the challenges to come, not least of them the impact of artificial intelligence on everything from budgets and staffing to financial

reporting and pension operations.

Founded in 1906 in Chicago as the National Association of Comptrollers and Accounting Officers, then in the early 1930s renamed the Municipal Finance Officers Association, in 1984 it rebranded itself with its current title. GFOA's membership includes U.S. and Canadian public finance professionals, most of them from local governments and agencies but also including state and provincial financiers. It's a nonpartisan organization with a lean and skilled staff operating in Chicago and a legislative office in Washington, D.C.

[Continue reading.](#)

governing.com

OPINION | June 24, 2025 • Girard Miller

New GFOA Research: Rethinking Materiality in Government Accounting

This report suggests local governments are often overly cautious about what counts as “material,” adding unnecessary cost and complexity to financial reporting. By shifting the focus to decision-useful accuracy rather than exhaustive precision, the profession can streamline reporting, save staff time, and maintain public trust.

[Download](#)

Stefanik Asks SEC to Investigate Harvard Bond Offering.

Takeaways

- Representative Elise Stefanik called on the SEC to investigate Harvard University's recent bond sale, alleging the school may have withheld material information from investors about its standoff with the federal government.
- Harvard sold \$750 million of taxable bonds on April 9 and later issued a supplemental disclosure on April 15, revealing its rejection of the federal government's demands and listing risks related to an ongoing conflict with the Trump administration.
- Stefanik also asked the SEC to investigate the “risks associated” with Harvard's holdings in private equity, venture capital, and real estate.

[Continue reading.](#)

Bloomberg Markets

By Lydia Beyoud, Amanda Albright, and Nicola M White

June 17, 2025

NFMA June Newsletter.

The NFMA's Municipal Analysts Bulletin, Vol. 35, No. 2, has been published. In addition to the Letter from the Chair, and reports from committees and societies, there are photos from this year's conference in San Antonio.

[Click here](#) to download the June 2025 edition.

National Association of Municipal Analysts

Authorities Reverse One-Minute Fixed Income Reporting Requirements.

Requirements for trades to be reported within one minute have been reversed just months after their approval after concerns were raised around the negative implications, operational burdens and lack of material improvements that the shortened window would provide.

In September 2024 the SEC approved the Municipal Securities Rulemaking Board's (MSRB) amendments to transaction reporting requirement Rule G-14, shortening the reporting timeframe to one minute for municipal securities transactions. On 6 March, following industry consultation, the MSRB stated that it would not set an effective date for the amendments to come into force.

Market participants raised concerns that the updated requirements may not be feasible on a near-term basis, citing operational upheaval and issues around how both partially manual and fully automated trades would be handled.

On the rescindment, Leslie Norwood, managing director, associate general counsel and head of municipal securities at the Securities Industry and Financial Markets Association (SIFMA), commented, "The fixed income markets - including the municipal securities market - remain predominantly over-the-counter, where elements of trading and post-execution processing rely on manual processes, or are subject to still developing and non-comprehensive automation.

"An across-the-board one-minute reporting requirement is not feasible due to the lack of full post-trade automation stemming from the importance of bilateral negotiation in many fixed income markets."

Elements of the G-14 amendments will remain, including the focus of examination and enforcement on patterns of failures rather than isolated cases and the requirement that trades are reported "as soon as practicable".

On the latter, a review of trade reporting data from 2022 to 2024 surmised that mandating as soon as practicable trade reporting may improve market pricing availability and overall average reporting times.

In its latest filing, the board said, "The MSRB believes that the 2024 Amendments, as modified by the proposed rule change, would serve to continue to enhance market transparency without the potential compliance burdens and costs associated with the one-minute reporting requirement and the use of a special condition indicator for trades with a manual component."

Also removed from the regulation are intra-day exceptions for dealers with limited trading activity

and trades with a manual component, and the need to differentiate trades with a manual component.

Norwood continued, "We are also pleased to see the MSRB remove the manual trade flag and the two exceptions which were part of the recent revisions to the rule."

The MSRB's decisions align it with the Financial Industry Regulatory Authority (FINRA), which filed documents with the SEC in February proposing that transaction reporting Rule 6730 maintain its 15-minute outer limit timeframe for TRACE-eligible trades.

Chris Killian, managing director for securitisation and corporate credit at SIFMA, stated, "this trade reporting framework appropriately balances the need for market transparency with the operational realities of the over-the-counter (OTC) fixed income markets."

FINRA previously filed documents in 2024 stating that faster reporting would improve price formation, reduce costs and increase liquidity.

The authority has also proposed changes to Rule 6730 to allow members who are both broker-dealers and investment advisors to report allocations of aggregate orders in a single trade report. This will streamline reporting, it suggested, and improve transparency.

"We will review the aspect of the proposal regarding reporting of allocation trades and provide comments to FINRA, but as an initial matter, are pleased to see FINRA's attention to this issue which has long burdened dual-registered firms," Killian concluded.

fi-desk.com

[The Good, The Bad, and the Super Slow: Examining the Timeliness of Municipal Bond Audits for Audit Year 2023](#)

An overview of municipal bond audit timeliness that analyzes trends in audit completion speeds and performance insights across issuers for the 2023 audit year.

COLORADO SPRINGS, CO, UNITED STATES, June 11, 2025 /EINPresswire.com/ — Merritt Research Services, an Investortools Company, in partnership with the University of Illinois Chicago's Government Finance Research Center (GFRC), today published its annual Audit Time 2023 Report, "The Good, The Bad, and the Super Slow," examining the speed and efficiency of municipal bond audit completion. Drawing on nearly 12,000 municipal bond audits sourced from the Merritt Research Services database found in CreditScope, this report reveals that the median audit time across all municipal bond sectors has increased by 10.6%, from 151 days in 2012 to 167 days in 2023, marking a slowdown of 16 days over the past decade.

Despite the peak accountant shortage in 2023, the study found a modest improvement in audit timeliness year-over-year: median audit times edged down slightly from 170 days in 2022 to 167 days in 2023. Revenue bond issuers continue to outperform their governmental counterparts, completing audits more rapidly on average. However, a cohort of issuers, those yet to file their 2023 audits as of May 5, 2025, exhibited persistently long delays, reflecting patterns of late reporting stretching back through 2021 and 2022.

The report spotlights extreme cases of delayed filings: both Illinois and Nevada remain over 700 days past their fiscal year-end without submitting their 2023 audits, establishing a new record for

state-level lateness outside of territories. Such prolonged lags can hinder investor confidence and impede accurate credit evaluation in the municipal market.

“Timely audits are the backbone of transparency and fiscal stewardship in municipal finance,” says Richard A. Ciccarone, President Emeritus of Merritt Research Services. “Our analysis underscores both commendable best practices and areas where urgent improvement is needed to protect stakeholders and maintain market integrity. We’re proud to leverage CreditScope’s expansive database to shine a light on trends that drive better governance.”

To recognize and encourage timely transparency, Merritt has been tracking and reporting on the completion and signing times of municipal bond-related audits since 2007. Starting in 2022, Merritt has partnered with the GFRC to further this effort.

The full Audit Time 2023 Report is available [here](#).

US Regulators Seek Rollback of 1-Minute Bond Trade Reporting.

(Bloomberg) — US financial regulators want to roll back measures introduced during the Biden administration that slashed some fixed-income trade reporting to just one minute, calling for the abandonment of a planned shift away from the 15-minute status quo for disclosing many bond transactions.

The Financial Industry Regulatory Authority and the Municipal Securities Rulemaking Board proposed going back to the longer time frame to address industry concerns that were raised after the 1-minute deadline was approved in 2024.

The Securities and Exchange Commission, which oversees the two self-regulatory organizations, had approved the rules to speed up trade reporting for corporate bonds, asset-backed securities and some mortgage-backed securities under former Chair Gary Gensler. The rule changes hadn’t gone into effect yet.

Big banks in particular disliked the measure, which was intended to bring greater bond pricing transparency for investors and reflect technological advances since the 15-minute deadline was introduced.

The Bond Dealers of America said in a statement the return to the status quo would allow financial institutions to “shorten trade reporting times organically without a regulatory mandate.”

The regulators noted in their proposals that although the vast majority of fixed-income trades were reported in less than one minute, bigger trades above \$5 million and dealers who report a small number of trades per year often take longer to report.

Bloomberg Markets

by Lydia Beyoud

Wed, June 11, 2025

Chicken Fat-to-Fuel Project Is the Latest Green Muni Bond to Default.

- A Mississippi facility that raised \$22 million in securities to convert poultry waste into biodiesel has defaulted on its bonds, marking at least the second green bond default in the muni market this month.
- The default is a sign of risk in bonds sold by local and state governments to finance private projects for energy and recycling plants carrying a green label, with one-third of 49 industrial development bonds defaulting in the last five years being marketed as green bonds.
- Almost 10% of roughly \$10 billion bond green industrial development or solid waste bonds are in default, with the average 10-year annual default rate for municipal bonds rated by Moody's being 0.15% from 1970 through 2023.

A Mississippi facility that raised \$22 million in securities to help convert poultry waste into biodiesel has defaulted. That marks at least the second green bond default to hit the muni market this month.

The tax-exempt bonds with an 8% coupon were sold by the Mississippi Business Finance Corp. in December 2022 on behalf of Alden Group Renewable Energy. UMB Bank, which is the trustee for bondholders, said the borrower failed to make a June 2 interest payment. Earlier this month, about \$40 million of green municipal bonds issued to build a cow manure-to-natural gas facility on a Wisconsin farm also defaulted.

Bonds sold by local and state governments to finance private projects for energy and recycling plants carrying a green label are risky, according to Municipal Market Analytics. One-third of 49 industrial development bonds to disclose a first time payment default in the last five years were marketed as green bonds, said Matt Fabian, a partner at the research firm.

"The takeaway for investors is to be a bit more careful with bonds that resort to green labeling as they may be stretching to attract investors," Fabian said in an email. That could suggest weakness in their economic profile "or another risk not obvious on the surface."

Almost 10% of roughly \$10 billion bond green industrial development or solid waste bonds are in default, according to data compiled by Bloomberg. From 1970 through 2023, the average 10-year annual default rate for municipal bonds rated by Moody's was 0.15%.

Alden's Mississippi renewable energy facility isn't the only one in trouble. In January, local television station KTUL reported that an Alden facility in Tulsa, Oklahoma was closing.

Alden Group is a unit of Spring, Texas-based Jefferson Enterprise Energy, LLC. Jefferson's founder and Chief Executive Officer Al Salazar died in October from cancer, according to a securities filing.

Neither Richard Thayer, Alden Group's president nor Michael Slade, a senior vice president at UMB, responded to a request for comment.

In a June 12 filing, UMB said it was working with Alden and majority bondholders on the situation.

AllianceBernstein Holding LP owned all of Alden Group's bonds for the Mississippi project as of April 30, according to data compiled by Bloomberg. Carly Symington, a spokeswoman for AllianceBernstein didn't respond to a request for comment.

Bloomberg Markets

By Martin Z Braun

June 13, 2025

MSRB Rescinds One-Minute Trade Reporting Standard, Responding to Industry Feedback and Concerns.

Washington, D.C. – The Municipal Securities Rulemaking Board (MSRB) today announced that the Board approved filing amendments to Rule G-14 to rescind previously approved, but not yet effective, rule provisions so that the existing 15-minute trade reporting standard would be retained. This follows the March 6, 2025, announcement by MSRB that it would not set an effective date for the rule amendments that the SEC approved in September 2024 in order to make substantive changes to the transaction reporting requirements.

“MSRB’s decision to rescind the one-minute trade reporting deadline under Rule G-14, and to revert to the existing 15-minute standard, comes after months of dialogue and engagement with market participants,” MSRB President and CEO Mark Kim said. “Updated data on reporting timeframes since the initial trade data analysis from the 2022 filing, together with certain implementation issues raised by stakeholders, suggested that the recently approved amendments were not necessary to improve market transparency.”

The Board’s action also follows FINRA’s notice in February 2025 to amend its own similar rule for trade reporting of Trade Reporting and Compliance Engine (TRACE)-eligible securities under FINRA Rule 6730. MSRB’s shared goal with FINRA has been to maintain regulatory consistency across the corporate and municipal bond markets in trade reporting.

Certain aspects of the amendments approved in September 2024 would be retained, including provisions requiring that trades be reported “as soon as practicable” and that dealers adopt policies and procedures in connection with this requirement. These changes were broadly supported by market participants commenting on the September 2024 amendments and would be consistent with the same requirements for trade reports to TRACE under existing FINRA rules.

In addition, Rule G-14 would retain language added in the September 2024 amendments designed to focus examination and enforcement efforts primarily on “patterns or practices” of trade reporting failures, rather than isolated cases of late reporting, as well as certain clarifying language designed to improve the understandability of existing reporting requirements.

“Streamlining our rules by rescinding unnecessary provisions makes good on MSRB’s promise to modernize our rulebook and eliminate undue compliance burdens on the industry,” MSRB Board Chair Bo Daniels said.

Date: June 09, 2025

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[Proposed Rule Change to Amend MSRB Rule G-14 RTRS Procedures.](#)

[Read the MSRB SEC filing.](#)

[Failed Muni Bond Draws FBI and Sparks ‘Ponzi-Like Fraud’ Claims.](#)

When a \$4 billion development project soured in a sleepy Connecticut town, the lawsuits followed.

Before the lawsuits started piling up in courtrooms across Connecticut, before his employer accused him of running a “massive Ponzi-like fraud,” and before the FBI showed up, Robert Cappelletti looked well on his way to pulling off one of the greatest muni-bond coups of all time.

The plan Cappelletti had put together was so audacious it bordered on the fantastical. The housing agency he ran in Groton, a sleepy town of some 40,000 people along Connecticut’s Thames River, would sell \$750 million of bonds to jumpstart a \$4 billion project to transform a bunch of run-down shopping plazas into a sprawling, up-scale development. There’d be a new train station, a hospital, almost 2,000 apartments and dozens of shops and restaurants.

It would have been the biggest local bond issue in the state’s history and expanded the tiny Groton agency far beyond its role managing two apartment complexes.

And yet Cappelletti — a part-time employee with a mixed record running other housing agencies in the state — breezed through a series of crucial steps needed to complete the sale. He got approval from the five-person board that runs the agency; crafted a brief financial projections statement; scored an investment-grade bond rating; and started the process of lining up buyers for the debt.

[Continue reading.](#)

Bloomberg Markets

By Martin Z Braun and Maggie Eastland

June 7, 2025

[SEC Charges Municipal Advisor with Failing to Register with the Commission.](#)

May 30, 2025 - The Securities and Exchange Commission today announced settled charges against Canada-based Agentis Capital Advisors General Partnership, fka Agentis Capital Advisors, for failing to register as a municipal advisor.

The SEC’s order finds that from December 2020 through February 2023, Agentis provided consulting services to six private sector entities engaged in public-private partnerships (also referred to as “P3s”) in the United States, in connection with six municipal securities issuances. A portion of those services included advice on the structure, timing, and terms of the issuances, which constituted municipal advisory services. Through these issuances, Agentis’ clients raised over \$1.9

billion. Agentis was not registered as a municipal advisor when it provided these services.

The order finds that Agentis willfully violated the registration requirements of Section 15B(a)(1)(B) of the Securities Exchange Act of 1934. Without admitting or denying the order's findings, Agentis consented to a cease-and-desist order, a censure, and a civil penalty of \$100,000.

The investigation was conducted by Cori Whitten, Warren Greth, and Joseph Chimienti, and supervised by Ivonia Slade and Rebecca Olsen, all of the Enforcement Division's Public Finance Abuse Unit.

ADMINISTRATIVE PROCEEDING

File No. 3-22479

Father And Son Plead Guilty To Defrauding Sports Park Bondholders - U.S. Attorney's Office, Southern District of New York

Jay Clayton, the United States Attorney for the Southern District of New York, announced today that RANDY MILLER and CHAD MILLER pled guilty to securities fraud and aggravated identity theft in connection with their scheme to defraud municipal bond investors. The defendants pled guilty before U.S. Magistrate Judge Robyn F. Tarnofsky and will be sentenced before U.S. District Judge Lewis A. Kaplan at a later date.

"Randy and Chad Miller's fraudulent actions resulted in nearly total losses for investors," said U.S. Attorney Jay Clayton. "As today's guilty pleas make clear, this Office remains committed to protecting the integrity of the public finance system and holding accountable those who exploit investors' trust. This case demonstrates the strength of our partnership with the FBI, whose diligent investigation uncovered the defendants' fraud."

According to the allegations contained in the Indictment, the Superseding Information, public filings, and statements made in court:

RANDY MILLER and CHAD MILLER defrauded investors in municipal bonds used to fund the development of a major sports complex in Mesa, Arizona called Legacy Park. In connection with the initial \$250 million bond offering in August 2020 and supplemental bond offering in June 2021, the defendants lied to potential investors about the interest sports organizations and other potential customers had in using or relocating to Legacy Park. The defendants and their associates forged and altered purported "binding" letters of intent and other documents from those potential customers to make it appear that the customers were committing to holding many events at Legacy Park, with a significant number of spectators, and agreeing to pay large fees - all far beyond what the organizations were considering, if they were considering Legacy Park at all. In some instances, RANDY MILLER and CHAD MILLER signed and directed others to sign customers' names without the customers' knowledge or permission. At other times, the defendants copied and directed others to copy the signatures of other customers onto the fabricated letters, again without the customers' knowledge or permission. As part of their scheme, the defendants forged documents on behalf of numerous persons and organizations, including an organization that promotes sports for disabled athletes.

RANDY MILLER and CHAD MILLER presented the fraudulent documents to prospective bond investors and incorporated them into their solicitation materials by claiming that Legacy Park would be 100% occupied at opening and would generate nearly \$100 million in revenue in its first year of operations, more than enough to cover the bond payments.

After the Legacy Park bonds were sold to investors, RANDY MILLER and CHAD MILLER profited personally from the bond proceeds raised. Legacy Park opened in 2022 and failed shortly thereafter, defaulting on its bonds in October 2022 and filing for bankruptcy in May 2023. The project was later sold in bankruptcy for less than \$26 million. Of those proceeds, less than \$2.5 million went to repay the approximately \$284 million owed to Legacy Park bondholders.

* * *

RANDY MILLER, 70, and CHAD MILLER, 41, both of Phoenix, Arizona, pled guilty to one count of securities offering fraud, which carries a maximum sentence of five years in prison, and one count of aggravated identity theft, which carries a mandatory consecutive sentence of two years in prison. As part of their guilty pleas, money judgments in the amounts of \$7,289,134.89 and \$4,798,980.19 were entered against RANDY MILLER and CHAD MILLER, respectively.

The maximum potential sentence in this case is prescribed by Congress and is provided here for informational purposes only, as any sentencing of the defendants will be determined by a judge.

Mr. Clayton praised the outstanding work of the Federal Bureau of Investigation. Mr. Clayton also thanked the U.S. Securities and Exchange Commission, which has filed a parallel civil action.

The case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys Matthew R. Shahabian and Courtney L. Heavey are in charge of the prosecution.

[us_v_randy_miller_and_chad_miller_superseding_information.pdf](#)

Contact

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Updated May 28, 2025

Sports Park Promoters Plead Guilty to \$280 Million Bond Fraud.

A father and son from Phoenix pleaded guilty to defrauding several of the nation's biggest investment firms about the business prospects of a failed Arizona sports complex that wound up costing municipal bondholders more than \$280 million.

Randy Miller, 70, and his son Chad, 40, entered their pleas Wednesday to securities fraud and aggravated identity theft in Manhattan federal court. Victims of the scheme included Vanguard Group Inc., AllianceBernstein Holding LP, Macquarie Group's Delaware Funds and others firms that invested in bonds linked to their Legacy Park development in Mesa.

The Millers were charged last month with using fabricated letters of intent and fake pre-contracts to claim that various organizations were lined up to use the park. Bloomberg had reported that the pair claimed in bond prospectuses that they had deals with British soccer powerhouse Manchester

United and a youth affiliate of US Major League Soccer's Real Salt Lake. Those teams and others later denied signing up with the pair.

[Continue reading.](#)

Bloomberg Industries

By Chris Dolmetsch

May 28, 2025

[SEC Speaks 2025: Key Takeaways from Division of Enforcement Panels](#)

Key Takeaways

1. The SEC's Division of Enforcement intends to remain a "cop on the beat," and will refocus on traditional core enforcement areas, such as insider trading, accounting and disclosure fraud, market manipulation, and breaches of fiduciary duties by investment advisers.
2. The SEC will prioritize matters that involve harm to retail investors and dangerous foreign actors, with a renewed emphasis on pursuing charges against individuals engaged in misconduct.
3. SEC enforcement leadership supports more transparency during the pre-charge "Wells" process and pledged to meet with defense counsel at least once (if requested) before charges are instituted.
4. Registered entities can expect the Division of Enforcement to be less focused on exam deficiencies that lack any indication of fraud or harm to investors.
5. The Division of Enforcement has replaced its "Crypto Assets and Cyber" unit with a "Cyber and Emerging Technologies" unit, which will have a particular focus on the misuse of technology and/or terminology (e.g., "artificial intelligence") to generate excitement around investment products or otherwise commit fraud.

Summary and Highlights

At the SEC Speaks 2025 conference, held in Washington, D.C., from May 19-20, 2025, senior Securities and Exchange Commission ("SEC") officials shared their observations on what the legal and business community can expect from the SEC's Division of Enforcement ("Division") in the years to come. Over the course of two panels¹ dedicated to the Division, panelists discussed key enforcement trends and priorities, including the Division's renewed emphasis on individual liability, harm to retail investors, and dangerous foreign actors. The panelists also affirmed the Division's continued commitment to traditional enforcement priorities and cautioned the defense bar and the broader public to be skeptical of contrary dire predictions. In addition, the panelists explained some recent reorganization efforts and how these changes will facilitate the Division's work going forward. And the panelists provided the defense bar with guidance regarding effective legal advocacy, cooperation, and recommendations for dealing with the Division's staff during their investigations.

[Continue reading.](#)

Ropes & Gray LLP – R. Daniel O'Connor , James R. Drabick, Chimso Okoji and Noah P. Mathews

May 23 2025

SEC Enforcement Leadership Discusses New Priorities and Expectations.

On May 20, 2025, as part of the annual “SEC Speaks” program, the leadership of the U.S. Securities and Exchange Commission’s (SEC) Division of Enforcement publicly discussed the enforcement priorities under new Chairman Paul S. Atkins. A panel of SEC enforcement personnel, including Acting Director of Enforcement Samuel Waldon and others, shed light on the current focus of enforcement activity under the SEC’s new leadership and what the Division of Enforcement expects from companies and individuals involved in SEC investigations.

Focus on Traditional Enforcement Areas and Investor Harm

A theme among the panelists was that, despite some media reports to the contrary, the Division of Enforcement will continue its work under new leadership to enforce the federal securities laws and protect investors. Specifically, the panel explained that the SEC will continue to focus on traditional areas of enforcement, including (1) insider trading, (2) accounting and disclosure fraud, (3) fraudulent securities offerings, and (4) breaches of fiduciary duty by investment advisers.

Additionally, within those broad categories, the panel noted that enforcement staff will focus their resources on matters involving harm to investors, especially retail investors. The panel also emphasized the importance of holding individuals – not just companies – accountable for violations.

[Continue reading.](#)

by Timothy Halloran

May 22, 2025

Bradley Arant Boult Cummings LLP

Financial Accounting Foundation Board of Trustees Seeks Nominations for Governmental Accounting Standards Board (GASB) Member.

Norwalk, CT, May 19, 2025 — The Financial Accounting Foundation (FAF) Board of Trustees today announced the search for a new member of the Governmental Accounting Standards Board (GASB). The seven-member, part-time Board will have an open seat beginning on July 1, 2026, when Jeff Previdi completes his second term on June 30, 2026.

The FAF is responsible for selecting the members of the GASB and its Advisory Council, the Governmental Accounting Standards Advisory Council (GASAC). The Board of Trustees is seeking a highly qualified individual with substantial experience as a user of financial statements to fill the upcoming vacancy.

Beyond this specific professional background, interested candidates must demonstrate a track record of professional conduct that is conducive to the standard-setting process. Important traits include a high level of intellect that is applied with integrity and discipline; the ability to work in a collegial, consensus driven environment; excellent communication skills; and a commitment to advocate for the public interest.

The GASB is comprised of members with experience as state and local government financial statement auditors and preparers, a governmental financial statement user, a public accounting auditor, and a governmental accounting academic. The background and perspective of a state and/or local government user of financial statements is important to the success of the GASB.

The appointment is a part-time role that requires approximately one-third the time commitment of a full-time position. The successful candidate will be appointed to an initial five-year term and may be eligible for reappointment to an additional term of up to five years. A full job description and list of requirements can be found on the [FAF website](#).

To apply for consideration, interested individuals should submit a resume and cover letter and/or CV, along with contact information for five (5) professional references to the attention of Maureen Barry, Senior Consultant, MGT at GovHRjobs.com.

Applications for interested candidates must be submitted by the close of business on July 18, 2025.

Public Finance Provisions in the House Tax Bill Impacting Municipal Market Participants: Greenberg Traurig

The House Committee on Ways and Means advanced a tax bill on May 14, 2025, as part of the budget reconciliation legislation aimed at enacting the Trump administration's fiscal priorities. Notably, the proposed legislation does not eliminate or limit the exclusion of interest from gross income for federal income tax purposes for any class of municipal bonds. Among the proposed changes to current tax law, the bill includes provisions impacting the municipal market and its participants that would:

1. enhance the low-income housing tax credit,
2. increase the rate of, and the range of institutions subject to, the endowment tax added in 2017,
3. make technical amendments to the small issue manufacturing bond provisions, and
4. curtail the continued availability of clean energy credits for new projects.

Low-Income Housing

The bill proposes several changes to the low-income housing tax credit program, including:

- Temporarily lowering the tax-exempt bond-financing requirement for projects using the "4%" low-income housing tax credit to 25% of the project's aggregate basis, down from the current 50%. This lower threshold would apply to buildings placed in service after Dec. 31, 2025, where at least 5% of the financing is sourced from bonds issued between Dec. 31, 2025, and Jan. 1, 2030.
- Increasing the ceiling on housing tax credits allocable by states by 12.5% for calendar years 2026 through 2029.
- Raising the eligible basis for buildings placed in service between Dec. 31, 2025, and Jan. 1, 2030, by up to 30% for projects in rural and Indian areas, as defined under section 4(11) of the Native American Housing Assistance Self Determination Act of 1996.

Endowment Tax

The proposed legislation includes changes to the excise tax imposed on private colleges, universities, and foundations:

- Increasing the excise tax rate for private colleges and universities with endowments of more than \$750,000 per eligible student from the current flat rate of 1.4% to an annual rate ranging between 7% and 21%, depending on the institution's student-to-endowment value ratio.
- Narrowing the definition of eligible students to those meeting the student eligibility requirements under section 484(a)(5) of the Higher Education Act of 1965, generally limited to U.S. citizens and permanent residents.
- Including income derived from student loan interest and royalties from federally subsidized research in the calculation of net investment income subject to the excise tax.
- Exempting certain religiously affiliated colleges and universities from the endowment tax.
- Raising the excise tax rate on private foundations' net investment income from the current flat rate of 1.39% to an annual rate of up to 10% for private foundations with assets of at least \$5 billion.

Small Issue Bonds

The bill proposes technical changes to Section 144 of the Internal Revenue Code to reflect updates made to the capitalization of certain startup costs.

Clean Energy Tax Credits

The bill aims to accelerate the phase-out and termination of various clean energy tax credit programs:

- Gradually phasing out the 48E Investment Tax Credit and 45Y Production Tax Credit starting in 2029, with full elimination by 2032.
- Repealing the transferability of credits for projects commencing construction after Dec. 31, 2027, and clean fuel production starting after the same date.
- Terminating tax credits for electric vehicles and chargers sold or placed in service after Dec. 31, 2025, with limited exceptions.

Next Steps

The reconciliation bill, including these tax provisions, will be consolidated by the House Budget Committee and subsequently reviewed by the Rules Committee before consideration on the House floor. Once passed, the bill will require approval by both chambers of Congress, with differences resolved before enactment. The legislative process may bring changes to these tax provisions.

Greenberg Traurig – Solomon Cadle, Vanessa Albert Lowry and Louis Couture

May 14 2025

[GFOA Releases April Issue of Government Finance Review.](#)

What's in the April Issue of GFR?

The latest issue of Government Finance Review features articles on our upcoming membership changes, an overview of effective project governance, updates on the latest PCI standards, insights into the art of writing fiscal notes, understanding new solutions for public-sector risk management, member spotlights, and much more. Don't miss the opportunity to stay informed and inspired.

[Read Online](#)

MSRB Market Recap.

[Read the MSRB Recap.](#)

May 8, 2025

Three Political Law Landmines for Hedge Funds, Private Equity Funds, and Investment Firms: Covington & Burling

Last year, an asset manager with offices in New York, Texas, and Vermont was publicly censured by the Securities and Exchange Commission and ordered to pay a substantial fine. Its offense? The asset manager hired an individual who had previously made a personal political donation to the campaign of a state official who appointed members to a board that could influence the investment decisions of one of the asset manager's current investors. Even though the individual made the contribution more than six months before joining the firm and even though the new hire received a refund for the offending contribution, that was not enough to stop the SEC from slapping penalties on the firm.

Perhaps no industry faces more scrutiny and regulation of its political activities than the financial industry. These rules are often not intuitive and failure to comply with them can result in big penalties, loss of business, and debilitating reputational consequences. This primer describes three sometimes overlooked risk areas for investment firms: (i) ensuring that covered employees and others affiliated with the investment firm do not make or solicit political contributions that result in "pay-to-play" problems for the firm; (ii) identifying when investor relations activities trigger state or local lobbying registration requirements; and (iii) conducting political law due diligence on prospective investments and portfolio companies. For each risk area, this advisory outlines best practices for avoiding these common compliance traps.

Protecting Against a Potentially Crippling Pay-to-Play Violation

Most investment firms by now are aware of the complex pay-to-play regulations that restrict the ability of the firms and certain of their employees to make political contributions. But even firms well-versed in these restrictions might overlook some of the nuances and risks presented by this complicated patchwork of laws and regulations.

[Continue reading.](#)

Covington & Burling LLP - Zachary G. Parks and Derek Lawlor

May 8 2025

The Impact of Natural Disasters on Municipal Financing and Disclosure: Pullman & Comley

The wildfires in Southern California earlier this year were another sobering reminder of the devastating impact of natural disasters on local communities, and Connecticut is certainly not

immune. Evidence suggests that both the frequency and severity of severe weather events in southern New England are on the rise, with recent examples including:

- August 2024's extreme rainfall event in southwestern Connecticut, where more than 10 inches of rain fell in a 24-hour period;
- Fall 2024's historic drought (the state's driest two-month period in 120 years), which sparked brush fires across Connecticut; and
- Summer 2023's Connecticut River flooding, which devastated riverfront agriculture just as harvest season was beginning.

Connecticut's estimated flood-related losses were \$469 million in 2020, and studies project that number to increase by 18 percent by the year 2050. A growing number of extreme weather events, coupled with rising sea levels, wetland loss, and coastal flooding, puts municipalities across the state at risk of significant damage to local infrastructure and economies. Damage from natural disasters can lead to long-term financial strain and disruption to municipalities as evidenced by:

- Decreased assessed value for property tax,
- Losses due to outflow of population,
- Direct damage to physical infrastructure,
- Higher costs related to providing emergency services,
- Higher insurance and claim costs, and
- Increased capital costs to build community resilience.

The financial strain can ultimately result in rating downgrades and increased bond yields because investors perceive higher risk in areas prone to such events and demand greater returns to compensate for potential losses. Although federal and state aid along with insurance proceeds often mitigate the financial impacts of natural disasters, many municipalities are taking steps to address the increasing risk, including developing climate resiliency plans and implementing measures to protect infrastructure and communities. While the development and execution of these plans are important for municipal issuers, disclosure of such plans during a municipal financing is equally important for transparency, informed investment decisions, and ensuring the long-term financial stability of municipalities, as investors are increasingly demanding such data.

As stated in a recently released report by Ceres, a nonprofit organization that inspires companies and municipalities to advocate for policy solutions to global challenges: "[g]ood climate risk disclosure may become the 'price of admission' to capital market access. Strong disclosure is an opportunity for municipal governments to own the narrative on their preparedness as well as a means to be better prepared organizationally to meet these risks." The report recommends that adequate disclosure of climate related risks for municipal issuers may include:

- description of past weather events that had a material financial impact,
- statement of how climate risks could impact payment of debt service,
- identification of how planning for risk management and mitigation are organized and governed, and
- status and discussion of resiliency planning and description of current and future steps being taken to mitigate risks.

The National Federation of Municipal Analysts has made natural disasters and climate-related risks a major focus for 2025. A newly formed committee has been tasked with making additional recommendations in connection with both pre-event and post-event disclosure. Once the report is published and recommendations are available, municipal issuers can evaluate and adjust their disclosure practices, if necessary.

[Investors Need Better Information On Municipal Climate Risks.](#)

Cities across the country are facing a stark increase in extreme weather events.

From hurricanes to wildfires, the U.S. has endured 403 billion-dollar climate and weather disasters since 1980—leaving behind a trail of destruction that’s cost the country more than \$2.9 trillion. Earlier this year, the Los Angeles fires killed dozens of people and caused more than \$250 billion in damages.

The loss of life and property from this fire is a harsh wake-up call for states and local governments, which are often called the first responders to these weather disasters. Yet, current disclosure of these risks in the \$4 trillion municipal bond market remains inconsistent and inadequate. As a result, investors lack the information needed to make informed investment choices.

Nowhere is this gap clearer than in the recent Los Angeles Water and Power municipal bonds credit rating downgrades. This downgrade represents a fundamental shift in how the market assesses the risks and opportunities in the municipal bond market. For investors and municipal bond issuers alike, the message is clear: climate transparency is no longer optional, it’s the price of admission to capital markets.

[Continue reading.](#)

Forbes.com

By Mindy Lubber, Contributor.

Mindy Lubber is CEO and president of Ceres, a sustainability nonprofit organization.

Apr 24, 2025

[Leading with Transparency: A Guide to Strengthening Climate Disclosure and Resilience in the Municipal Bond Market](#)

As climate-related disasters become more frequent and costly, municipal governments are on the front lines—responsible for protecting communities, maintaining essential services, and investing in infrastructure that can withstand future risks.

This guide supports state and local governments in strengthening climate-related financial disclosures—an essential step in building resilience, accessing capital, and planning for long-term stability.

Why this matters:

- The \$4 trillion municipal bond market is essential to funding resilience and disaster response.
- In 2023 alone, \$508 billion in municipal bonds were issued.
- But climate risks are still under disclosed, despite mounting disasters and rising costs.
- 17% of U.S. counties currently face compound exposure to climate hazards like floods, hurricanes, and fires—which are only increasing.
- Wildfires in Los Angeles in 2025 caused \$250 billion in damage—and led to bond downgrades for issuers with over \$70 billion in outstanding debt.

This guide highlights:

- Practical steps for disclosing climate risks in financial statements, bond offering documents, and voluntary sustainability and climate action reports.
- Real-world examples from major municipal bond issuers including Boston, Seattle, Miami-Dade County, and others.

[Download Report](#)

ceres.org

April 8, 2025

MSRB Discusses Market Regulation and Transparency Initiatives at Quarterly Board Meeting.

Washington, D.C. – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) met on April 23-24, 2025, holding its third quarterly meeting of fiscal year 2025. The Board discussed its FY 2025 regulatory modernization and market transparency initiatives.

“MSRB’s continued efforts to engage with the industry and modernize its suite of rules through a retrospective rule review were front and center during our quarterly Board meeting,” MSRB Board Chair Bo Daniels said. “We appreciate the robust stakeholder engagement and response to our requests for feedback on both the rate card and municipal fund securities concept release and look forward to ongoing dialogue with the industry and moving both initiatives forward with the benefit of the public comments we received.”

Market Regulation

The Board discussed ongoing regulatory matters and retrospective rule reviews, including:

- **Rate Card Request for Information (RFI):** Reviewing public comments and stakeholder feedback on the rate card, along with discussing potential changes to the rate card to address stakeholder concerns, which include stability and predictability in MSRB’s fees, MSRB’s reserves and diversification of MSRB’s revenue mix.
- **Municipal Fund Securities (MFS):** An initial evaluation of comments received from market participants on a concept release regarding modernization of MFS disclosure prior to additional analysis, outreach and data gathering.
- **Market Infrastructure Rules:** Identifying areas within the MSRB rulebook that could provide opportunities for removing barriers to technological and product innovation in the municipal market and where MSRB could benefit from future extensive stakeholder feedback on modernization.

- **Rule A-12:** The Board approved additional technical amendments in connection with its previously approved forthcoming collection of information related to bank dealer associated persons.

Market Transparency

The Board received an update on the modernization of the Electronic Municipal Market Access (EMMA) website, and discussed feedback received from among the over 100 industry stakeholders who were invited to participate in the first round of beta testing.

Additionally, the Board received an update on current MSRB research and the ongoing policy discussions surrounding the tax-exemption of municipal bonds.

Date: April 25, 2025

Contact:

Aleis Stokes, Chief External Relations Officer

202-838-1500

astokes@msrb.org

Pension Plan Withdrawal Liability Takes Center Stage in Bankruptcy Judge's "Preliminary Observations" - Kramer Levin

A recent decision from the Bankruptcy Court for the District of Delaware in *In re Yellow Corp.* could have widespread implications for bankruptcy cases, including municipal bankruptcy cases. Of particular interest, the Judge determined:

- Settlement of a claim to which a third party has filed an objection is subject to a heightened standard of review;
- The bankruptcy code's disallowance of post-petition interest applies to claims accelerated pre-petition;
- Where future payments include an interest component (either explicit or implicit), that component is disallowed as unmatured interest, but no further discounting is appropriate;
- The proper discount rate to use to calculate the present value of a pension withdrawal claim is the pension plan's assumed rate of return on assets; and
- The limitation on withdrawal liability applicable to an insolvent employer (ERISA section 4225(b)/29 U.S.C. § 1405(b)) undergoing liquidation or dissolution is applied after the application of the 20-year cap.

On Monday, April 7, 2025, Judge Craig T. Goldblatt published "preliminary observations" on a dispute between the Debtors, MFN Partners (which held both debt and equity), and various multiemployer pension plans on the amount of the pension plans' claims.[1] Judge Goldblatt was originally prepared to issue a decision on various motions for summary judgment that were before him, but after the Debtors and the Official Committee of Unsecured Creditors (the "UCC") requested that he hold off in light of the filing of a joint plan that would settle the dispute, he instead released his thoughts as preliminary observations.

[Continue reading.](#)

Kramer Levin Naftalis & Frankel LLP – Alice J. Byowitz

April 15 2025

MSRB Announces Agenda Topics for Quarterly Board Meeting.

Washington, DC - The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) will meet on April 23-24, 2025, to hold the third quarterly meeting of fiscal year 2025.

Highlights of the Board discussion will include:

Market Regulation

The Board will discuss several regulatory initiatives and receive updates on MSRB's ongoing retrospective rule reviews, including:

- **Rate Card Request for Information (RFI):** Reviewing public comments and stakeholder feedback on the rate card.
- **Municipal Fund Securities (MFS):** Evaluating comments received from market participants on a concept release regarding modernization of MFS disclosure.
- **Market Infrastructure Rules:** Assessing MSRB rules that may be impacted by market innovations that could challenge traditional market structure and practices.

Market Transparency

The Board will receive an update on the modernization of the Electronic Municipal Market Access (EMMA) website, including feedback from the first round of beta testing by industry stakeholders about the value of EMMA's enhancements for investors and other market participants.

Additionally, the Board will receive an update on recent municipal market activity, current MSRB research and the ongoing policy discussions surrounding the tax-exemption of municipal bonds.

Date: April 16, 2025

Contact:

Aleis Stokes, Chief External Relations Officer
202-838-1500
astokes@msrb.org

What Counties Need to Know: ARPA SLFRF Reporting Deadline - NACO

[Continue reading.](#)

National Association of Counties

Apr 14, 2025

NLC FAQs: Meeting the ARPA SLFRF Reporting Deadline

As the April 30, 2025 reporting deadline for ARPA's State and Local Fiscal Recovery Funds (SLFRF) fast approaches, many local governments have questions about how to login to their accounts, properly report and ensure that they communicate that their funding was obligated by the 12/31/2024 deadline. Failure to submit a report by the April 30, 2025 deadline could result in adverse action from the U.S. Department of Treasury, including federal recapture of funds. Below, we provide answers to some of the most frequently asked questions (FAQs).

Why is the 2025 Reporting Extra Critical for Annual Reporters?

Since this is your city's first report since the 12/31/24 obligation deadline, what you report this April for obligations should be the balance of your total ARPA award, leaving outstanding obligations at \$0.00. If you do not report your funding as fully obligated, you will need to return the unobligated funds back to the Department of Treasury. If you do not submit a report by April 30, Treasury will assume that the funding is unobligated.

Additionally, this is your last opportunity to claim the Standard Allowance/Revenue Replacement option for more flexible reporting.

[Continue reading.](#)

National League of Cities

By: Dante Moreno

April 8, 2025

[New Guidance Outlines Best Practices for Municipal Bond Issuers Facing Growing Climate Threats.](#)

As climate-related disasters become more frequent and costly, municipal governments are on the front lines—responsible for protecting communities, maintaining essential services, and investing in infrastructure that can withstand future risks.

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voluntary sustainability and climate action reports.

- Real-world examples from major municipal bond issuers including Boston, Seattle, Miami-Dade County, and others.

[Download Report](#)

ceres.org

[GFOA: Unlocking the Secrets of the Accelerated ACFR](#)

Many local governments struggle to complete their Annual Comprehensive Financial Report (ACFR) on time and without excessive effort. This paper explores how governments can streamline the ACFR process to finish faster and with less strain—helping public finance officers avoid burnout and focus on other priorities.

[Read report](#)

Government Finance Officers of America

[Potential Modernization of Municipal Fund Securities Disclosure Obligations: SIFMA Comment Letter](#)

Summary

SIFMA provided comments to the Municipal Securities Rulemaking Board (MSRB) in response to the Concept Release regarding its Potential Modernization of Municipal Fund Securities Disclosure Obligations.

[Read the SIFMA Comment Letter.](#)

[FINRA Fines Firm and Its CCO for Supervisory and Reporting Failures: Reed Smith](#)

On March 24, 2025, United First Partners LLC (“UFP”) and its Chief Compliance Officer, Elizabeth Dickerson (“Dickerson”), entered into a Letter of Acceptance, Waiver, and Consent (“AWC”) with the Financial Industry Regulatory Authority (“FINRA”) to resolve allegations that UFP and Dickerson failed to establish and maintain a reasonable supervisory system, including written procedures, designed to supervise the outside brokerage accounts of its registered representatives and restrict or limit the information flow between UFP’s research department and its sales and trading personnel. The AWC also resolved allegations that UFP failed to report its eligible fixed income transactions to the Trade Reporting and Compliance Engine (known as TRACE) and customer municipal transactions to the Real-time Transaction Reporting System (known as RTRS), and that it sent inaccurate or incomplete confirmations to some of its customers in connection with options transactions.

Specific Supervisory and Reporting Failures According to FINRA, from April 2019 to June 2022, UFP and Dickerson permitted unrestricted interactions between the firm's research department and its sales and trading staff, including the regular circulation of draft research reports to sales and trading staff to obtain their input on, among other things, recommendations in the reports. Additionally, from March 2020 to March 2021, the peak of the COVID-19 pandemic, when Dickerson worked remotely, she failed to review statements associated with registered representatives' outside brokerage accounts, contributing to the firm's failure to detect and investigate trading in securities covered by the firm's research group by three employees. Dickerson also did not consistently review the annual compliance attestations of the firm's associated persons and failed to obtain compliance questionnaires from any of its representatives in 2021.

Pursuant to the AWC, UFP consented to a censure, a \$215,000 fine, and an undertaking that it will implement a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with federal securities laws and regulations, rules of the relevant self-regulatory organizations, and to remediate the issues identified above, within 90 days of the AWC. Dickerson consented to a one-month suspension in her capacity as a principal and a \$5,000 fine.

Compliance Lessons In addition to highlighting the longstanding obligation of member firms to maintain a reasonably designed supervisory system, policies, and procedures, the AWC underscores the importance of ensuring that such supervisory systems and written policies and procedures are implemented and enforced at all times, including during unprecedented globally disruptive events such as the COVID-19 pandemic. For example, FINRA found that UFP's written supervisory procedures failed to identify any steps to verify the receipt of duplicate statements for its representatives' outside brokerage accounts, or instructions on how compliance should review them. Dickerson was designated as the sole representative responsible for requesting and reviewing the duplicate statements; however, her review was sporadic and limited to just three to four accounts (out of approximately forty) per month. FINRA determined that the review process was not reasonable given the volume of monthly statements and because it did not facilitate the identification of patterns or activity over time or across accounts.

The AWC is a reminder for member firms to review their supervisory systems and written supervisory procedures, and to ensure they are reasonably designed and consistently implemented and enforced at all times.

Reed Smith LLP - Pawel Maziarz, Kiran Somashekara and Daniel H. Ahn

April 4 2025

[SEC Files Charges Against Three for Creating False Documents for Investors.](#)

The Securities and Exchange Commission (SEC) has charged three individuals with creating false documents for investors.

The charges were filed against Randall "Randy" Miller, Chad Miller, and Jeffrey De Laveaga for creating false documents that were provided to investors in two municipal bond offerings. The bond raised \$284 million to build one of the largest sports venues of its kind in the United States.

According to the SEC's complaint, Randy Miller's nonprofit company, Legacy Cares, issued approximately \$284 million in municipal bonds through an Arizona state entity to finance the construction of a multi-sports park and family entertainment center in Mesa, Arizona. This was done

in August 2020 and June 2021.

Investors were to be paid from revenue from the sports complex. They were given financial projections for revenue that were multiple times the amount needed to cover payments to investors, according to the complaint. However, the SEC alleges that the defendants fabricated or altered documents forming the basis for those revenue projections, including letters of intent and contracts with sports clubs, leagues, and other entities to use the sports complex.

The sports complex opened in January 2022 with far fewer events and much lower attendance than expected. And it generated tens of millions less in revenue than anticipated under the false projections. Ultimately, the bonds defaulted in October 2022, according to the complaint.

“As our complaint alleges, these defendants used fake documents to deceive municipal bond investors into believing a sports complex would generate more than enough revenue to make payments to bondholders,” Antonia Apps, acting deputy director of the SEC’s Division of Enforcement, said. “Maintaining the integrity of the approximately \$4 trillion municipal bond market is critical for local governments and investors alike. The SEC will hold accountable individuals who defraud municipal bond investors.”

The complaint, filed in the U.S. District Court for the Southern District of New York, charges Randy Miller, Chad Miller, and De Laveaga with violating the antifraud provisions of the federal securities laws. It seeks permanent injunctions, conduct-based injunctions, disgorgement with prejudgment interest, and civil penalties.

In a parallel action, the U.S. Attorney’s Office for the Southern District of New York levied criminal charges for similar conduct.

financialregnews.com

By Dave Kovaleski | April 3, 2025

Sports Park Promoters Charged With \$280 Million Bond Fraud.

A former minor-league baseball player and his father were charged with fraud over the failure of an Arizona sports complex that cost municipal bondholders more than \$280 million.

Randy Miller, 70, and Chad Miller, 41, were accused in an indictment unsealed Tuesday in New York of forging documents and misrepresenting interest from professional sports teams to draw investors, including Vanguard Group Inc, AllianceBernstein Holding LP and Macquarie Group’s Delaware Funds, to their Legacy Park development in Mesa, Arizona.

Manhattan federal prosecutors claim the Millers used fabricated letters of intent and fake pre-contracts to claim that various organizations were lined up to use the park. Bloomberg previously reported that the pair claimed in bond prospectuses that they had deals with British soccer powerhouse Manchester United and a youth affiliate of US Major League Soccer’s Real Salt Lake.

Those teams and others later denied signing up with the Millers. Manchester United never authorized using the park as a US training ground, Andrew Ward, a spokesman for the team told Bloomberg News in 2023. Ward said the purported letter from the UK-based club that was included in a 2020 bond prospectus was fake. Real Salt Lake executive Brent Erwin also said a supposed

letter by him was fake.

“Municipal bonds fund critical public projects and investors rely on accurate financial disclosures to make informed decisions,” Acting Manhattan US Attorney Matthew Podolsky said in a statement. The US Securities and Exchange Commission on Tuesday also filed civil allegations against the Millers and Legacy Sports’ former chief operating officer, Jeffrey De Laveaga.

Randy’s attorney Timothy Sini didn’t immediately return a voicemail seeking comment on the charges. Chad’s attorney, Hector Diaz, had no immediate comment.

After failing years earlier to find financing for the sports park, the Millers in 2020 and 2021 looked to revenue-back municipal bonds through the Arizona Industrial Development Authority — a path that avoided the scrutiny and regulations attached to corporate stocks and bonds.

The Millers allegedly inflated projected revenues to raise hundreds of millions of dollars from bond offerings, using “at least hundreds of thousands of dollars” of that money for personal use on cars, property and increased salaries.

The 2020 prospectus for the first Legacy Park bond issue estimated that the complex would bring in \$23 million from 25 organizations. It said another 26 organizations — including Manchester United — had entered into similar “letters of intent” that promised \$19 million more. The park, which opened in January 2022, never made enough to cover a bond payment and defaulted later that year.

Legacy Cares, a nonprofit set up by the Millers to own the 320-acre complex, filed for bankruptcy in May 2023, saying construction setbacks, labor shortages and supply-chain delays amid the pandemic delayed the park’s opening, resulting in lost revenue. The facility, with a set of fields and courts for soccer, football, baseball, basketball and other sports, was sold last October for \$26 million. Bondholders received \$2.4 million in cash and an 11% equity stake in the new owners.

More than half of the 50 organizations that the Millers said signed letters of intent or pre-contracts didn’t sign them, prosecutors alleged. The vast majority of pre-contracts were fake, according to the indictment.

Bloomberg Industries

By Ava Benny-Morrison and Martin Z Braun

April 1, 2025

[Father And Son Executives Charged With Defrauding Sports Park Bondholders.](#)

Tuesday, April 1, 2025

U.S. Attorney’s Office, Southern District of New York

Former Chairman and CEO Raised More Than \$280 Million Using Forged Documents and Fake Revenue Projections

Matthew Podolsky, the Acting United States Attorney for the Southern District of New York, and

Christopher G. Raia, the Assistant Director in Charge of the New York Field Office of the Federal Bureau of Investigation ("FBI"), announced today the unsealing of an Indictment charging RANDY MILLER, former Chairman and President of Legacy Sports, and his son, CHAD MILLER, former CEO of Legacy Sports, with engaging in a scheme to defraud investors of more than \$280 million in two municipal bond offerings. RANDY MILLER and CHAD MILLER were arrested today and will be presented tomorrow in the U.S. District Court for the District of Arizona. The case has been assigned to U.S. District Judge Lewis A. Kaplan.

Acting U.S. Attorney Matthew Podolsky said: "As alleged, Randy Miller and Chad Miller swindled investors out of over a quarter of a billion dollars by selling municipal bonds they knew were backed by forgeries and lies. Municipal bonds fund critical public projects and investors rely on accurate financial disclosures to make informed decisions. This Office is committed to protecting the integrity of the public finance system. When individuals abuse that system and investors' trust, we will hold them accountable."

FBI Assistant Director in Charge Christopher G. Raia said: "Fathers and sons have found shared bonds in sports for generation. Randy and Chad Miller allegedly chose to use a planned sports complex as a means to exploit and defraud investors. The Millers allegedly executed the scheme using fraudulent documents to lie about the status of the proposed project in order to raise hundreds of millions of dollars which they used to enrich themselves. The FBI will continue to ensure a level playing field by holding fraudsters accountable in the criminal justice system."

According to the allegations contained in the Indictment:[1]

From November 2019 through May 2023, RANDY MILLER and CHAD MILLER engaged in a scheme to defraud investors in municipal bonds used to fund the development of a major sports complex in Mesa, Arizona called Legacy Park. The defendants worked together and with others to lie to potential bond investors about the interest sports organizations and other potential customers had in using or relocating to Legacy Park. The defendants and their associates forged and altered purported "binding" letters of intent and other documents from those potential customers to make it appear that the customers were committing to holding many events at Legacy Park, with a significant number of spectators, and agreeing to pay large fees - all far beyond what the organizations were considering, if they were considering Legacy Park at all. In some instances, RANDY MILLER and CHAD MILLER signed and directed others to sign customers' names without the customers' knowledge or permission. At other times the defendants copied and directed others to copy the signatures of other customers onto the fabricated letters, again without the customers' knowledge or permission. As part of their scheme, the defendants forged documents on behalf of numerous persons and organizations, including an organization that promotes sports for disabled athletes.

RANDY MILLER and CHAD MILLER presented the fraudulent documents to prospective bond investors and incorporated them into their solicitation materials by claiming that Legacy Park would be 100% occupied at opening and would generate nearly \$100 million in revenue in its first year of operations, more than enough to cover the bond payments.

After the Legacy Park bonds were sold to investors, RANDY MILLER and CHAD MILLER used some of the proceeds to pay for personal expenses such as a home and SUVs. The defendants also paid themselves inflated salaries and withdrew hundreds of thousands of dollars in addition to their salaries.

While the defendants enriched themselves, Legacy Park struggled to survive. The park opened in 2022, but within months failed to generate enough revenue to make the monthly bond payments, and by October 2022 it was in default. On May 1, 2023, the project filed for bankruptcy and was later sold for less than \$26 million. Of those proceeds, less than \$2.5 million went to repay the approximately \$284 million owed to Legacy Park bondholders. Accordingly, because of the defendants' fraud, bondholders were left with near total losses.

* * *

RANDY MILLER, 70, and CHAD MILLER, 41, both of Phoenix, Arizona, were both charged in the Indictment with one count of conspiracy to commit wire fraud and securities fraud, which carries a maximum term of five years in prison; one count of securities fraud and one count of wire fraud, each of which carries a maximum term of 20 years in prison; and one count of aggravated identity theft, which carries a mandatory minimum sentence of two years in prison.

The mandatory minimum and maximum potential sentences in this case are prescribed by Congress and provided here for informational purposes only, as any sentencing of the defendants will be determined by a judge.

Mr. Podolsky praised the outstanding work of the FBI. Mr. Podolsky also thanked the U.S. Securities and Exchange Commission, which has filed a parallel civil action.

The case is being handled by the Office's Securities and Commodities Fraud Task Force. Assistant U.S. Attorneys Courtney L. Heavey and Matthew R. Shahabian are in charge of the prosecution.

[u.s._v._randy_and_chad_miller_indictment.pdf](#)

[SEC Charges Three Arizona Individuals with Defrauding Investors in \\$284 Million Municipal Bond Offering That Financed Sports Complex.](#)

Washington D.C., April 1, 2025 —

The Securities and Exchange Commission today charged Randall "Randy" Miller, Chad Miller, and Jeffrey De Laveaga with creating false documents that were provided to investors in two municipal bond offerings that raised \$284 million to build one of the largest sports venues of its kind in the United States.

As alleged in the SEC's complaint, in August 2020 and June 2021, Randy Miller's nonprofit company, Legacy Cares, issued approximately \$284 million in municipal bonds through an Arizona state entity to finance the construction of a multi-sports park and family entertainment center in Mesa, Arizona. Investors were to be paid from revenue from the sports complex, and investors were given financial projections for revenue that were multiple times the amount needed to cover payments to investors, according to the complaint. However, the complaint alleges that the defendants fabricated or altered documents forming the basis for those revenue projections, including letters of intent and contracts with sports clubs, leagues, and other entities to use the sports complex. The sports complex opened in January 2022 with far fewer events and much lower attendance and generated tens of millions less in revenue than expected under the false projections, and the bonds defaulted in October 2022, according to the complaint.

"As our complaint alleges, these defendants used fake documents to deceive municipal bond

investors into believing a sports complex would generate more than enough revenue to make payments to bondholders,” said Antonia Apps, Acting Deputy Director of the SEC’s Division of Enforcement. “Maintaining the integrity of the approximately \$4 trillion municipal bond market is critical for local governments and investors alike. The SEC will hold accountable individuals who defraud municipal bond investors.”

The SEC’s complaint, filed in the U.S. District Court for the Southern District of New York, charges Randy Miller, Chad Miller, and De Laveaga with violating the antifraud provisions of the federal securities laws and seeks permanent injunctions, conduct-based injunctions, disgorgement with prejudgment interest, and civil penalties.

In a parallel action, the U.S. Attorney’s Office for the Southern District of New York today announced criminal charges for similar conduct.

The SEC’s investigation was conducted by William T. Salzmann, Jonathan Grant, Joseph Chimienti, and Creighton Papier and supervised by David Zhou and Rebecca Olsen of the Public Finance Abuse Unit. They were assisted by Steven Varholik of the San Francisco Regional Office. The litigation will be led by Jason Bussey of the San Francisco Regional Office, Mr. Salzmann, and Mr. Grant. The SEC’s investigation is ongoing. The SEC appreciates the assistance of the U.S. Attorney’s Office for the Southern District of New York and the FBI.

[GASB Requests Input on Severe Financial Stress and Probable Dissolution Disclosures.](#)

Norwalk, CT, March 31, 2025 — The Governmental Accounting Standards Board (GASB) issued a Preliminary Views (PV) today for public comment on proposals associated with accounting and financial reporting for severe financial stress and probable dissolution disclosures.

The PV, [Severe Financial Stress and Probable Dissolution Disclosures](#), is intended to set forth and seek comments on the Board’s current views at a relatively early stage of the project. The objective of the project is to address issues related to disclosures regarding going concern uncertainties (GCU) and severe financial stress (SFS) with the intention of making clarifications and improvements to the existing GCU guidance to reduce diversity in practice and providing guidance for disclosures related to SFS.

The Board’s Early Views

GASB’s current guidance on going concern uncertainties was brought into the Board’s literature without significant modification from the AICPA’s literature and contains elements of both financial stress and continued existence. Pre-agenda research showed that stakeholders were unclear on what going concern means in the government context. Some governments get into financial difficulties but continue to exist and provide services. There are also governments that dissolve and cease to exist for reasons other than financial stress (for example, to realize greater efficiency and cost savings through governments merging or combining operations).

The PV seeks to separate the notions of financial stress and continued existence and sets out the Board’s early thinking on issues associated with SFS and probable dissolution (PD) disclosures. SFS guidance would focus on a government’s financial condition, regardless of whether there is uncertainty about its continued existence. The PD guidance would focus on the uncertainty about a

government's continued existence, regardless of its financial condition.

If a government meets either the SFS or PD disclosure requirement, the government would be required to make certain disclosures related to the SFS or PD. In some cases, a government may meet requirements for both SFS and PD and would be required to make both sets of disclosures.

SFS Disclosures

A government would be required to make SFS disclosures if, as of the financial statement date, it is experiencing financial stress at such a degree that it is near or at the point of insolvency, regardless of whether it will continue to exist. The point of insolvency would be when a government generally is not paying its liabilities as they come due or is unable to pay its liabilities as they come due. A government near the point of insolvency would be experiencing a very high level of financial stress but would not be insolvent.

SFS disclosures would be the reasons and causes for the condition, the government's evaluation of the significance of those reasons and causes, the actions taken by the government in response, and the known effects of the condition.

PD Disclosures

A government would be required to make PD disclosures if it is probable that it will cease to exist as the same legally separate entity within 12 months of the date the financial statements are available to be issued, regardless of its financial condition. Relevant factors would be evaluated in the aggregate to determine the likelihood of the dissolution within the time frame.

The PD disclosures would be a statement that dissolution is probable; the reasons and causes for the PD; the government's evaluation of the significance of those reasons and causes; the actions taken by the government in response; and information about the recoverability, amounts, or classification of assets and liabilities.

Share Your Views

Stakeholders are asked to review and provide input on the document by June 30, 2025. Comments may be submitted either through a comment letter or an electronic input form.

A series of public forums on the PV has been scheduled to enable stakeholders to share their views with the Board. Additional information on the public forums is available in the document.

[GASB Staff Completes Study of GAAP Utilization Among U.S. State and Local Governments.](#)

Norwalk, CT, March 24, 2025 — The Governmental Accounting Standards Board (GASB) has completed a study of the utilization of Generally Accepted Accounting Principles (GAAP) by state and local governments in the U.S.

The study identifies and categorizes state-imposed financial reporting requirements for state, county, municipal, and special district governments. In addition, the study includes a statistical model of the determinants of GAAP choice in the absence of a state requirement to utilize GAAP.

The GASB staff's working paper is titled, "[Financial Reporting Requirements for State and Local Governments: Evaluating GAAP Choice.](#)"

A high-level graphical summary of the results are available [here](#).

[Recent SEC Corp/Fin Interpretations of Interest: Troutman Pepper Locke](#)

Relevance of SEC Staff's Rule 506(c) Minimum Investment Amount Guidance

In new Compliance and Disclosure Interpretations (see [CDIs 256.35](#) and [256.36](#)) and a related [no-action letter](#) (Latham & Watkins LLP, March 12, 2025), the staff of the Securities and Exchange Commission's Division of Corporation Finance provided guidance on meeting the requirement under the Rule 506(c) safe harbor exemption from registration under the Securities Act of 1933 that an issuer take reasonable steps to verify the accredited investor status of purchasers. The guidance confirms that what are reasonable verification steps is a facts and circumstances determination and specifically that a high minimum investment amount (generally \$200,000 for individuals and \$1 million for entities), coupled with certain representations from the purchaser, is a relevant factor and could itself be sufficient.[1] The representations include that the investment was not financed in whole or in part by a third party for the specific purpose of making the particular investment. The issuer also cannot have actual knowledge indicating that a purchaser is not an accredited investor or that the representation regarding the absence of financing is incorrect. Rule 506(c) permits use of general solicitation to find investors if purchasers are limited to accredited investors, but it has had relatively limited use, in part because of the perceived burden on issuers and intrusiveness to investors from the verification requirement. The new guidance may eliminate this concern in cases where a high minimum investment is applicable.

The SEC staff's guidance focuses on the reasonable verification steps requirement of Rule 506(c), but it could have broader application. For example, Rule 506(b) permits an unlimited number of accredited investors to be purchasers without a disclosure requirement for those investors based upon an issuer's reasonable belief that an investor is accredited. If an issuer would satisfy the Rule 506(c) reasonable verification steps test, it likely would meet the reasonable belief standard. Outside of the Rule 506(b) and (c) exemptive safe harbors, a high minimum amount investment or, in the case of debt securities, high minimum denominations has generally been considered a relevant factor in assessing the availability of the statutory 4(a)(2) private offering exemption and the so-called 4(1 ½) private resale exemption as part of an overall assessment of an investor's sophistication and ability to bear the risk of the investment. The use of this factor in being satisfied that these exemptions are available can now find further support by analogy to the SEC staff's Rule 506(c) guidance.

Another place where the SEC staff's guidance may have relevance is in the private offering exemption from the official statement disclosure requirements for underwriters of municipal securities in Rule 15c2-12 under the Securities Exchange Act of 1934. Under 15c2-12(d)(1), primary offerings of municipal securities with \$100,000 minimum denominations are exempt from the rule's disclosure requirements if the securities are sold to no more than 35 persons who the underwriter reasonably believes satisfy the sophistication test. Minimum denominations above the \$100,000 amount might be a relevant factor in satisfying the reasonable belief of sophistication test.

[Continue reading.](#)

March 28 2025

[FINRA Proposes Single Rule to Replace FINRA Rules 3270 and 3280: Morgan Lewis & Bockius](#)

FINRA has proposed a single, streamlined rule (the Proposed Rule) to replace FINRA Rule 3270 (Outside Business Activities of Registered Persons) and FINRA Rule 3280 (Private Securities Transactions of an Associated Person) (collectively, the Existing Rules). FINRA's stated goal for this proposal, described in [Regulatory Notice 25-05](#), is to create a more efficient framework for tracking and, as required, supervising outside activities of registered persons and associated persons of FINRA member firms. Comments are due by May 13, 2025.

The proposal includes a flowchart to assist firms in understanding the Proposed Rule ([Attachment B](#)) and Q&As demonstrating the differences between the current and proposed frameworks in certain scenarios ([Attachment C](#)).

WHAT CHANGES DOES THE PROPOSED RULE MAKE?

The outside activities within scope of the Proposed Rule include "investment-related activities"—a helpful proposed change and clarification from the Existing Rules: [1]

- The term "investment-related activity" is defined in the Proposed Rule as "pertaining to financial assets, including securities, crypto assets, commodities, derivatives (such as futures and swaps), currency, banking, real estate or insurance."

According to the proposal, the term includes, but is not limited to, "acting as or being associated with a broker-dealer, issuer, insurance agent or company, investment company, investment adviser, futures commission merchant, commodity trading advisor, commodity pool operator, **municipal advisor**, futures sponsor, bank, savings association or credit union."

[Continue reading.](#)

Morgan Lewis & Bockius LLP - Amy Natterson Kroll, Kyle D. Whitehead, Nicole M. Alkire and Natalie R. Wengroff

March 25 2025

[MSRB: A Comparison of Transaction Costs for Municipal Securities and Other Fixed-Income Securities](#)

[Read the MSRB publication.](#)

NewEdge to Pay \$1 Million For Misleading Bond Purchases, Off-Channel Comms: Finra

NewEdge Securities, the brokerage arm of hybrid firm NewEdge Capital Group, has agreed to a censure and pay just over \$1 million in fines and disgorgement for misleading bond purchases and failing to preserve electronic communications, according to a settlement with the Financial Industry Regulatory Authority.

The sanctions include roughly \$750,000 in disgorgement and a \$275,000 fine, according to the settlement.

From 2018 to 2022, NewEdge submitted 194 orders for new issue municipal bonds without disclosing the orders were for its dealer account instead of retail clients, Finra said. The omission allowed NewEdge to jump the queue, since the issuers “typically prioritize sales of bonds to retail and institutional customers, who are likely to hold the bonds rather than quickly trade them, over broker-dealers seeking bonds for their own inventories,” Finra said.

Those disclosure failures began with Mid Atlantic Capital Corporation, NewEdge’s predecessor firm that it acquired in 2020 but continued after that deal had closed, Finra said. The violations were largely tied to a single unidentified representative who established the improper customer relationship with underwriters, according to the settlement.

The disgorgement amount reflects the “ill-gotten gains” NewEdge earned by quickly re-selling the bonds on the secondary market, according to Finra. The regulator charged the broker-dealer with failing to establish a proper supervisory system to detect the alleged violations.

A NewEdge spokesperson said that the firm was pleased to have resolved the matter and noted there was no customer harm or client assets misused. NewEdge Capital, the holding company for NewEdge Wealth and an independent contractor channel, NewEdge Advisors, has around 450 advisors managing around \$60 billion in assets, according to its website.

The issue “was isolated to a single representative’s management of personal assets within a legacy acquired division—an area no longer significant to our operations,” the NewEdge spokesperson added. “No NewEdge Capital Group client funds were at risk, no client assets were misused, and no clients were harmed.”

Finra also cited a recordkeeping violation noting that NewEdge failed “to preserve and review approximately 30,000 Bloomberg instant messages,” including those related to the bond purchases.

The Bloomberg instant message recordkeeping issue was “fully remediated over two years ago with enhanced compliance protocols implemented immediately at that time,” the spokesperson added.

The Finra disciplinary action against NewEdge comes just over one year after the firm agreed to a censure and to pay a \$90,000 fine and almost \$45,000 in restitution over alleged mispricing on bond trades.

Between June 2020 and March 2023, NewEdge allegedly charged “unfair prices” in 62 corporate bond transactions and six municipal bond transactions, Finra said in a [March 2024 letter](#). It also failed to establish a supervisory system to ensure it was complying with its fair pricing obligations per the MSRB, the Finra settlement letter said.

Public Finance Municipal Bond, Disclosures and Tax Compliance Recap: Frost Brown Todd

Frost Brown Todd's (FBT) Public Finance Practice Group hosted its annual Public Finance 360° Seminar on Feb. 20, 2025. Webinar topics included a 2025 municipal bond market update, financial disclosure considerations, and tax laws for bond issuances. This article provides a summary of each panel, along with key takeaways for borrowing entities, banks, and state and local government entities.

2025 Municipal Bond Market Update

This year's municipal bond market update featured insights from financial advisors, underwriters, and traditional issuers, including Brian Carter, managing director at PFM Financial Advisors; Robin Redford, senior managing director at Ramirez & Co.; and Joe Glass, executive director and general counsel at the Indianapolis Local Public Improvement Bond Bank. Cheryl Rosenberg, an FBT partner in Houston, Texas, moderated the panel.

The key word of the day was "volatility," as Cheryl Rosenberg explained that the 2025 municipal bond market may have to absorb shocks from both unexpected and expected sources—specifically (1) the risk of municipal bonds losing federal tax-exemption status through proposed legislation amending the Internal Revenue Code of 1986, as amended (the "Code"), (2) the risk of losing other federal subsidies given the uncertainty associated with the potential freezing of federal funding; and (3) the possibility of losing tax-exempt status applied retroactively to bonds issued before any 2025 legislative change in the Code.

The panelists also discussed significant issues likely to face most municipal bond market participants in 2025, including:

1. The impact of federal policy changes on issuers identified to be most at risk, such as public and private universities, hospitals and other healthcare entities, and affordable housing borrowers;
2. How a decrease in the volume cap available for private activity bonds and affordable housing bonds would impact bond transactions, potentially resulting in more taxable bonds;
3. How to advise issuers or clients on transactions that cannot move forward if certain federal funds or federal guarantees are withheld or canceled;
4. The direct and indirect consequences felt in the municipal bond market due to the uncertainty with federal funds and federal legislative proposals;
5. The uncharted territory associated with the inverted yield curve seen in municipal bond transactions this year;
6. The impact of the current presidential administration's policies regarding the Federal Reserve interest rate and imposition of tariffs on inflation and the municipal bond market; and
7. The "'BAB'-a-lanche" regarding the expected increase in Build America Bonds (BAB) refundings due to the increasing interest rate and extraordinary optional redemption provisions associated with these deals.

The panel closed with the important note by Robin Redford that, in theory, all of these topics may lead to disclosure of these risks to investors in offering documents in future public bond transactions.

Primary, Secondary and Selective Disclosure Considerations

The second Public Finance 360° panel presentation covered primary and secondary disclosure considerations, selective disclosure and the applicability of anti-fraud rules to statements on websites and social media, as well as requirements for private placement/direct purchase transactions. The presentation was led by FBT partners Amy Condaras, Donnie Warner, and Emmett Kelly.

Amy Condaras discussed initial and secondary disclosure considerations that require underwriters to take certain actions in connection with securities pursuant to Securities and Exchange Commission (SEC) Rule 15c2-12. In addition, she explained that initial disclosure obligations prohibit underwriters from buying and selling securities without an offering document and without having a reasonable belief of continuing disclosure obligations following the issuance of the bonds, which is typically ascertained through a Continuing Disclosure Undertaking Agreement (CDUA). She also explained that continuing disclosure, by contrast, is governed by Rule 15c2-12, which requires disclosure when one of the 16 enumerated event notices occurs, and by the parties' agreement under the CDUA.

Amy Condaras and Donnie Warner both discussed selective disclosure, which applies when an issuer gives material, non-public information to less than all of the public marketplace, such as disclosing information to certain investors at a road show or even posts on social media. Selective disclosure requires the issuer to disclose that material information to the entire public marketplace on the Electronic Municipal Market Access System (EMMA). Warner continued by describing the anti-fraud rules that apply to issuers with disclosure obligations, focusing on Rule 10b-5, which prohibits making an untrue statement of material fact (or omitting to state a material fact to make the statements not misleading) with the intent to defraud in connection with the purchase or sale of any security. Warner then explained how Rule 10b-5 is violated through discussing examples of SEC enforcement actions against issuers, municipal advisors, and underwriters. He also cautioned against issuer statements online, noting that the SEC has determined that information posted on websites (including social media) is reasonably expected to reach investors and is subject to the anti-fraud rules.

Next, Emmett Kelly discussed exceptions to Rule 15c2-12's initial and continuing disclosure obligations through the private placements/direct purchases exception. For this exception to apply, bonds must be purchased by qualified institutional buyers (QIBs) or accredited investors (typically banks), and the purchaser typically signs an investor letter that confirms that it meets the QIB or accredited investor status and intends to hold the bonds for the purchaser's own account. Even with the benefits of decreased costs of issuance and increased closing speed, market participants must still be mindful of their compliance obligations. To emphasize this, Kelly provided examples of SEC enforcement actions where an issuer and placement agent were liable for omitting material information in offering documents.

Overall, the disclosure considerations discussion reiterated the purpose behind Rule 15c2-12—assisting investors in determining the financial condition of the issuer and the risks associated with investing in the bonds—as a helpful guide to understand what, when, and how to disclose information.

2025 Tax Topics Impactful to Bond Issuances

FBT attorneys Steve Sparks, Patrick Woodside and Carrie Cecil presented on public finance tax topics most relevant to clients in 2025, including: (1) arbitrage and rebate considerations; (2) qualified tax-exempt obligations or “bank qualified” bonds; and (3) Reimbursement and Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) approvals.

Steve Sparks compared and contrasted arbitrage and rebate, explaining that both concepts focus on the difference between interest paid on tax-exempt bonds and the interest earned by investing bond proceeds. He also stated that arbitrage occurs when the yield on the investment of bond proceeds is greater than the yield on the tax-exempt bonds and that arbitrage rules scrutinize when someone is allowed to earn the excess from the investment. By contrast, rebate rules consider whether one can keep the profit or is required to pay it back to the IRS. Sparks clarified why it is important to consider these requirements for tax-exempt bonds now in light of the following: the U.S. Department of the Treasury interest rate was below 4% from October 2008 through October 2022, and it is currently above 4%. This increased interest rate means that investment yields are now higher than in the immediate past, potentially generating arbitrage and rebate compliance issues that have not been present since before October 2008.

Patrick Woodside discussed qualified tax-exempt obligations, also known as “bank qualified” or “BQ” bonds. BQ bonds are an incentive created by Congress allowing banks to deduct up to 80% of the interest allocated to tax-exempt bonds from their expenses, which can lower banks’ net income and, as such, lower amounts owed for income tax. Woodside also explained the eligibility requirements for bond transactions to meet the BQ status—such as having a qualified small issuer (and its exclusions) and an annual issue amount limitation of 10million dollars or less of tax-free debt.

Carrie Cecil reviewed reimbursement of bond proceeds and TEFRA approvals. Cecil explained that, when a client has expended funds and desires to be reimbursed through bond proceeds after issuance, it must issue a declaration of intent, usually in the form of a reimbursement resolution, within 60 days to reimburse capital expenditures. This does not include the cost of issuance or initial expenditures and must not exceed 20% of the aggregate capital expenditure. Additionally, Cecil elaborated that TEFRA approvals are required for tax-exempt private activity bonds and that the public must be notified of a public hearing that will be held where the issuer will provide information regarding an upcoming tax-exempt issuance and take questions from the public. Cecil pointed out that in the final regulations for TEFRA in 2019, the Treasury added flexibility to the TEFRA process by reducing the public notice timing requirement from 14 to seven days, adding the ability to post notice of the hearing to websites rather than physical newspapers, and adding flexibility to project descriptions.

by Ben Hadden, Alexandra Just, Glorify Batsirai Mandima

March 18, 2025

Frost Brown Todd

[Natural Disaster Disclosure a Key Focus for NFMA's 2025 Chair Neene Jenkins.](#)

Neene Jenkins, whose go-to Karaoke song is Macy Gray’s hit “I Try,” wouldn’t disclose the names of other muniland karaoke singers she knows of, but the 2025 chair of the National Federation of Municipal Analysts is all for robust disclosure in another area: Natural disasters.

"I'd probably call that material non-public information," joked Jenkins, who is head of municipal research at JP Morgan Asset Management, when asked about her fellow muni industry karaoke aficionados.

But though the NFMA chair remained tightlipped about their identities, a focus on disclosure – particularly natural disaster-related disclosure – is a key part of the platform she laid out in a letter to NFMA members featured in the February Municipal Analysts Bulletin, an NFMA newsletter. The importance of robust disclosure practices, especially when it comes to natural disasters, has been underscored in recent years, her letter said.

"I do think it needs a special focus because the frequency and severity of the events recently have increased," Jenkins said in an interview, adding that she's "heard from both analysts and issuers about a lack of guidance."

Another focus for Jenkins will be to drive forward a strategic initiative that examines NFMA's policies and practices. That initiative, led by Richard Akulich, a director in the capital markets group at Preston Hollow Community Capital, will seek to identify opportunities for growth and improvement "to ensure that our organization really can thrive in the future," she said.

Angela Kukoda, director, municipal credit research at Seix Investment Advisors, is tasked with leading a committee focused on natural disaster-related disclosure, Jenkins said. The committee will make recommendations "so issuers can know what we think good disclosure looks like," she said. NFMA is still seeking volunteers to join the committee, Jenkins said, adding that anyone interested in joining should reach out to NFMA Executive Director Lisa Good directly.

Jenkins has asked the committee to think about both pre-event and post-event disclosure, she said.

"You've just been hit by a hurricane. How do you communicate to the bondholder community that you don't have material damage and you're ok, or that you have the damage and it's been addressed or it's not material," Jenkins said. "Whatever that story is, it doesn't feel like there's a good framework for it right now, and we're trying to step into the void."

In the absence of information, analysts sometimes assume the worst, she said.

"The bonds are going to trade regardless and those valuations are important and decisions are being made," Jenkins said, adding that having information in the wake of disasters is better for the market, benefitting buyers as well as issuers.

When catastrophic events occur, "our industry is where a lot of issuers go for rebuilding," she said.

"And so starting the conversation early through disclosure is important and this is why I say for the market as a whole because, ultimately, there is likely to be a bond solution on the other end," the NFMA chair said.

Jenkins recalls turning to the Municipal Securities Rulemaking Board's EMMA website in the wake of an event and seeing a one-line note from an issuer saying it was saddened by the event's impacts and was currently evaluating the damage.

"And I went ok, these guys are on top of it," she said.

While there can be a range of appropriate responses following disasters, Jenkins said she wants to ensure that Kukoda and her committee have an opportunity to produce a solid document that lets issuers know some of the expectations the analyst community has regarding pre-event and post-

event disclosure and what good disclosure looks like.

Some issuers “want to be good and they don’t know how or they don’t know what that means,” Jenkins has found. Issuers might also believe they are providing good disclosure and “they don’t know what analysts want to hear,” she said.

“I would love for Angela to bring the entire market together to figure out exactly what do we need to do on this topic,” Jenkins said.

Jenkins, who earned a Master of Public Administration degree from New York University’s Robert F. Wagner Graduate School of Public Service, began her municipal analyst career in 2006 at what was then known as Moody’s Investors Service (MCO).

After spending some time at Moody’s Jenkins “became really interested in the buy-side and that’s where I’ve spent the bulk of my career, at two different firms,” she said. Jenkins joined AllianceBernstein (AB) in 2010 and JP Morgan Asset Management in 2019.

She joined NFMA in 2010.

“Throughout my career, I’ve seen NFMA as an organization be instrumental in supporting improved disclosure,” Jenkins said. “The quality of information that I got as a junior analyst just entering the industry versus what issuers put out today – it’s remarkably better.”

By Kathie O’Donnell

BY SourceMedia | MUNICIPAL | 03/20/25 02:09 PM EDT

[Public Finance Municipal Bond, Disclosures and Tax Compliance Recap: Frost Brown Todd](#)

This year’s municipal bond market update featured insights from financial advisors, underwriters, and traditional issuers, including Brian Carter, managing director at PFM Financial Advisors; Robin Redford, senior managing director at Ramirez & Co.; and Joe Glass, executive director and general counsel at the Indianapolis Local Public Improvement Bond Bank. Cheryl Rosenberg, an FBT partner in Houston, Texas, moderated the panel.

The key word of the day was “volatility,” as Cheryl Rosenberg explained that the 2025 municipal bond market may have to absorb shocks from both unexpected and expected sources—specifically (1) the risk of municipal bonds losing federal tax-exemption status through proposed legislation amending the Internal Revenue Code of 1986, as amended (the “Code”), (2) the risk of losing other federal subsidies given the uncertainty associated with the potential freezing of federal funding; and (3) the possibility of losing tax-exempt status applied retroactively to bonds issued before any 2025 legislative change in the Code.

[Continue reading.](#)

Frost Brown Todd LLP - Ben Hadden , Alexandra Just and Glorify Batsirai Mandima

March 17 2025

Need for Enhanced Cybersecurity in Public Finance – Cyberthieves Steal Bond Proceeds: Pepper Troutman

Recent events highlight the need for enhanced cybersecurity protocols in government offices across the U.S. In late November 2024, the Township of White Lake in Michigan, intended to issue approximately \$29 million in general obligation bonds to finance a new public safety building and a new township hall. Prior to closing, a criminal actor gained access to the township's email system, impersonated a township official, and altered emails containing wiring instructions. The bond underwriter, then wired the purchase price to the hacker rather than the township. The sale was canceled, and to date, approximately \$23.6 million has been recovered and returned to the underwriter, which is suing the township for the remainder. According to a supplemental disclosure posted by the township on March 11, the U.S. Securities and Exchange Commission has opened an investigation regarding this event and the sale of the township's bonds to determine if any violations of the federal securities laws have occurred.

What can governmental entities transferring (and receiving) large sums of money do to better protect themselves from cybercriminals? Many have set up protocols and procedures with vendors and others with whom they frequently do business. Bond financings, however, are usually infrequent for most governmental units, and involve underwriters, financial advisors, paying agents, and other parties that government staff may not know well and with whom they may have little contact.

The Government Finance Officers Association (GFOA) recently recommended a series of fraud prevention measures for participants in public finance transactions to adopt. The recommendations, which may be found at [Fraud Prevention Measures When Receiving Funds](#), include establishing protocols with all vendors and transaction participants regarding (i) how any banking information will be communicated, (ii) by whom, and (iii) in what manner, such as telephone or video meeting. The GFOA recommends the use of encrypted email for transmitting sensitive information and reiterates the importance of maintaining good cybersecurity practices, such as not relying on any information or link contained in an email, but rather contacting the purported sender via prior, known contact information. Another consideration is to require a purchaser, in advance of a closing date, to initiate a test wire in a de minimis, random amount, to the account of the issuer, followed up by telephone confirmation of the receipt and amount of such wire, thereby confirming the accuracy of the wire instructions.

White Lake's loss highlights the increasing risks to governmental units in transmitting and receiving funds, not only in public finance transactions but also in day-to-day business. Risks can be mitigated by appropriate staff training, close monitoring of financial transactions, implementation of robust protocols, and heightened vigilance by all transaction participants.

by Karen S. D. Grande & Walter J. St. Onge III

March 11, 2025

Troutman Pepper Locke LLP

SEC Probes Cyberattack of Detroit Suburb's \$30 Million Bond Sale.

- **Probe will determine potential violation of securities law**

• White Lake Township makes disclosure in bond supplement

The US Securities and Exchange Commission is investigating a [municipal-bond sale by a Detroit suburb](#) that was hacked last year by cyber criminals, resulting in the theft of about \$30 million of proceeds.

The SEC is probing whether the bond issue, which was supposed to close in November, violated securities law, according to a March 11 bond-offering supplement. The community of 32,000 plans to sell \$29 million of bonds after the cyberattack forced it to cancel last year's issue to finance the construction of a civic center.

On the day of the initial sale's closing in November, criminals impersonated a township official after gaining access to the municipality's email, according to an offering document for the upcoming sale. The hackers then directed Robert W. Baird & Co., the investment bank that bought the bonds, to wire the purchase price to an account they set up.

Read more: [Add Cyberattacks to the List of Municipal Bond Credit Risks](#)

About \$23.6 million of the funds have been recovered and returned to Baird, according to the bond supplement. The investigation by federal authorities and the White Lake Township Police Department is ongoing.

"The Township is cooperating with all investigations and does not believe such investigations will impact the Township's ability to issue or repay the bonds," the bond-offering supplement said.

White Lake's supervisor, Rik Kowall, didn't immediately respond to a phone call seeking comment.

Bloomberg Markets

By Martin Z Braun

March 11, 2025

[MSRB Board Authorizes Further Amendments to Rule G-14, Withdraws Pre-Trade Concept Release.](#)

Washington, D.C. – The Municipal Securities Rulemaking Board (MSRB) today announced that at its previously scheduled meeting on March 6, 2025, the Board approved the filing of amendments to [MSRB Rule G-14](#) to make substantive changes to the transaction reporting requirements that the SEC approved last year, but which have not yet become effective.

The Board's action follows MSRB's earlier [announcement](#) of a delay in setting an effective date for those requirements, as well as the statement by FINRA that it intends to amend its own similar rule for trade reporting of Trade Reporting and Compliance Engine (TRACE)-eligible securities under FINRA Rule 6730. MSRB's filing will maintain regulatory consistency across the corporate and municipal bond markets and will also respond to extensive and valuable input that MSRB has received from market participants, including the ability of regulated entities to comply with the rules and potential unintended consequences for the municipal securities market.

"As always, stakeholder engagement is an essential part of the regulatory process for the self-

regulatory model, but the feedback loop does not stop once a rule is approved by the SEC,” MSRB CEO Mark Kim said. “We appreciate the willingness of market participants to share with us their perspectives as MSRB remains committed to ongoing dialogue and ensuring that further amendments to Rule G-14 are coordinated with FINRA, which is contemplating similar changes to its own trade reporting rule.”

MSRB will not establish an effective date for the amendments approved by the SEC last year in their current form. Instead, MSRB intends to file further amendments to Rule G-14 with the SEC, which are expected, at a minimum, to establish less significant reductions to current reporting timeframes for manual trades. Once filed, the new amendments will then be published for public comment in the Federal Register and will require SEC approval before becoming effective. Upon approval, MSRB will continue to coordinate with FINRA in establishing an effective date for the amendments.

In addition, the Board voted to withdraw its pre-trade concept release that was published in January to ensure stakeholders have adequate time and resources to focus on providing any additional comments or feedback regarding further amendments to Rule G-14.

Date: March 07, 2025

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FINRA Fines Tradeweb Direct \$65,000 for Violating MSRB Rule.

Tradeweb Direct has been censured and fined \$65,000 by the Financial Industry Regulatory Authority for violating a municipal securities rule by failing to include a required indicator when reporting nearly 146,000 municipal securities transactions.

In a letter signed Feb. 27 by its chief risk officer, Tradeweb accepted and consented to FINRA’s findings without admitting or denying them. FINRA accepted the document on March 4.

New York-based Tradeweb operates an alternative trading system for trading fixed income securities and “executes orders in a riskless principal capacity on behalf of its institutional customers with other dealers,” the letter said.

According to the letter, Tradeweb violated Municipal Securities Rulemaking Board Rule G-14, which details transaction reporting requirements for municipal securities.

From April 11, 2022 through Jan. 19, 2023, the firm violated Rule G-14 by failing to include the Non-Transaction-Based Compensation indicator ? or the NTBC indicator for short ? when reporting 145,898 municipal securities transactions to the MSRB’s Real-Time Transaction Reporting System, according to the document.

“Rule G-14 RTRS Procedures (b)(iv) requires firms to report the applicable ‘special condition indicators’ for ‘transactions affected by the special conditions described in the RTRS Users Manual in Section 4.3.2 of the Specifications for Real-Time Reporting of Municipal Securities Transactions,’” the letter said.

One special condition indicator Section 4.3.2 describes is the NTBC indicator, the letter said.

“This indicator is mandatory for customer trades that do not include a mark-up, mark-down, or commission,” the letter said. “The NTBC indicator improves price transparency by distinguishing between transaction prices that include some form of transaction-based dealer compensation and those that do not.”

Tradeweb’s failure to report the special condition indicator stemmed from a technical error linked to the firm’s transition to a new clearing firm in April 2022, the letter said.

“Tradeweb Direct is committed to timely and accurate reporting, and we are pleased to have this matter resolved,” a Tradeweb spokesman said.

By Kathie O’Donnell

BY SourceMedia | MUNICIPAL | 03/06/25 10:11 AM EST

[FINRA Fines MarketAxess \\$90,000 for MSRB Rule Violations.](#)

The Financial Industry Regulatory Authority has fined MarketAxess Corporation \$90,000 for Municipal Securities Rulemaking Board rule violations including the inaccurate reporting of trade times for more than 57,000 transactions, most of which were off by just one second.

MarketAxess (MKTX), which operates fixed income electronic trading platforms, submitted a letter to FINRA proposing a settlement of various alleged rule violations. In the letter, the firm accepted and consented to FINRA’s findings without either admitting or denying them. MarketAxess’ (MKTX) chief compliance officer signed the document on Feb. 18 and FINRA accepted it on Feb. 25.

According to the letter, MarketAxess (MKTX) violated MSRB Rule G-14, which details transaction reporting requirements for municipal securities.

From April 2016, when the firm first started reporting municipal transactions to the MSRB’s Real-time Transaction Reporting System, to May 2023, MarketAxess (MKTX) reported 57,340 transactions to the RTRS with an inaccurate time of trade “due to the firm’s incorrect interpretation of time of trade,” the letter said.

“For a majority of these transactions, the execution time was inaccurate by one second,” the letter said.

MarketAxess (MKTX) also violated Rule G-14 by reporting 123 of those transactions to the RTRS more than 15 minutes after the time of trade, the letter said.

“Rule G-14 RTRS Procedures (a)(ii) states that transactions effected during the RTRS business day shall be reported within 15 minutes of the time of trade except in certain enumerated situations,” the letter said.

In addition, MarketAxess (MKTX) from April 2016 to January 2022 violated MSRB Rule G-27 by failing to set up and maintain a supervisory system, including written supervisory procedures, reasonably designed to ensure compliance with MSRB RTRS reporting obligations, the letter said.

Specifically, MarketAxess’ (MKTX) supervisory system, including its written supervisory procedures,

didn't include reasonable reviews to make sure that accurate execution times were reported to the RTRS, the letter said.

Beginning in January 2022, the firm's written supervisory procedures required that MarketAxess (MKTX) perform automated surveillance of RTRS reporting, including timestamps, and undertake a manual review of any surveillance alerts, the letter said.

The \$90,000 penalty pertaining to the violations of MSRB Rules G-14 and G-27 was part of a total monetary sanction of \$180,000 consented to by MarketAxess (MKTX), the letter showed. The firm also made inaccurate and untimely reports to FINRA's Trade Reporting and Compliance Engine, and MarketAxess' (MKTX) supervisory system wasn't reasonably designed to comply with TRACE reporting obligations, the letter said.

An attorney representing the firm declined to comment.

By Kathie O'Donnell

BY SourceMedia | MUNICIPAL | 02/27/25 10:32 AM EST

[SEC Moves to Dismiss Case Against Hedge Fund Silver Point Capital.](#)

The US Securities and Exchange Commission has moved to dismiss a lawsuit accusing hedge fund Silver Point Capital of failing to enact policies to bar a consultant from sharing confidential information with the firm's trading arm.

The agreement is outlined in a filing Thursday in federal court in Connecticut. It's subject to the SEC commissioners' approval.

The credit-focused hedge fund said it was pleased to reach a resolution. The SEC declined to comment.

"There was absolutely no basis in the evidence or the law for the claims asserted by the SEC, and the SEC should never have filed this action in December 2024," the firm said in a statement.

The SEC sued Silver Point, claiming that the company failed to set up policies to prevent a consultant from sharing confidential information about bonds issued by Puerto Rico.

The consultant, a now-deceased attorney, sat on a creditors committee tied to restructuring Puerto Rico's municipal bonds on behalf of Silver Point. His position meant he had access to non-public information that could help the firm's trading arm profit, the SEC alleged in a complaint.

But the firm said a four-year investigation and a review of roughly 350,000 documents showed no evidence that the attorney actually shared insider information or that Silver Point engaged in improper trades.

"We have refused to settle a matter in which there was neither any wrongdoing nor any deficiency in our information barrier policies or our compliance program," the company said at the time. "Silver Point has, at all times, behaved legally and ethically."

The case is Securities and Exchange Commission v. Silver Point Capital L.P., 24-cv-02018, US District Court, District of Connecticut.

Bloomberg Markets

By Nicola M White

March 6, 2025

— With assistance from Peter Blumberg

[MSRB: Convergence of Individual and Institutional Trading Dynamics in Small Size Trades](#)

[Read the MSRB paper.](#)

[GASB Publishes Post-Implementation Review Report on Fair Value Standard.](#)

Norwalk, CT, February 26, 2025—The Governmental Accounting Standards Board (GASB) today published a Post-Implementation Review (PIR) report on the Board's fair value standard.

The report focuses on GASB Statement No. 72, *Fair Value Measurement and Application*.

The [report](#), issued by GASB staff, concludes that Statement 72 met the three PIR objectives:

- The standards accomplish their stated purpose,
- Costs and benefits are in line with expectations, and
- The Board followed its standard-setting process.

Furthermore, the report concludes that Statement 72 resolved the underlying need for the Statement, which involved complicated valuation issues from a financial reporting perspective. The report also concludes that the Statement was operational and application of the Statement provides users of financial reports with decision-useful information, including fair value measurements that are highly relevant to the analysis of governmental financial information and fair value-related disclosures.

After the issuance of each GASB standard, the GASB provides educational support, responds to technical inquiries, and often issues questions and answers about the standard through implementation guidance. More complex standards—like Statement 72—are eligible to undergo more extensive PIR procedures culminating in a final report.

More information about the PIR process, including other projects for which the GASB is currently conducting PIR activities, is available by visiting the [GASB PIR web portal](#).

[NAMA Wishlist for MSRB's Review of MA Rules Includes Technical Fixes,](#)

Good Dialogue.

The Municipal Securities Rulemaking Board's decision to launch a holistic review of its municipal advisor rules is "completely understandable," National Association of Municipal Advisors Executive Director Susan Gaffney said, but before the MSRB makes any big changes she hopes "it will engage with the MA community."

The MSRB's second quarterly board meeting of fiscal year 2025, held in January, included discussion regarding the launch of a "holistic review," of the MSRB's municipal advisor rules, MSRB CEO Mark Kim confirmed in an interview following the meeting.

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in the wake of the global financial crisis, "expanded the MSRB's statutory authority to include the regulation of municipal advisors," Kim said, noting that it's been "10 years or so since we implemented our first MA rule and that body of regulation is now essentially complete."

Still, markets change and rules need to change too in order to remain relevant and have their intended impact, which makes this an appropriate time to launch such a review, he said.

The MSRB received approval from the Securities and Exchange Commission in October 2014 to adopt MSRB Rule G-44, its first dedicated rule for municipal advisors.

"As I think Mark and the MSRB pointed out, it's been a good 10 years since the beginning of all the rules being in place, and so it's likely to be a multi-year project," Gaffney said in a recent interview.

A "good first step" would be to make some technical changes to bring the rule book "up to speed to reflect the actual regulatory environment," she said. For example, areas within the MSRB's rules that use the term financial advisor when referring to municipal advisors should be updated, the NAMA executive director said.

"Certainly, people still refer to MAs as FAs, but the rule book should reflect that we are MAs and that's what the MSRB regulates," Gaffney said.

Making such technical changes might sound easy, "but I know it's not easy," she said.

"So we understand that that is a lift," Gaffney said. "Even though it may not be a substantive lift, we know that it nonetheless takes time."

In addition, NAMA hopes that the holistic review looks not only at the rulemaking but also at "all the guidance and different types of materials that the MSRB has produced over the years and kind of bringing that together to be more helpful and useful for the MA community," she said.

For example, "if I have some challenging G-20 questions, I'd like to be able to go to one spot to see all the resources available," Gaffney said.

Given the time that has passed since the MSRB's municipal advisor rules first went into effect, NAMA hopes that the MSRB "will constructively engage with the MA community and determine how various types of MA firms have applied and complied with the rule book," she said.

"This is such a diverse community that hearing from them about where there might be some pain points, some pressure points, is going to be really important," Gaffney said.

Municipal advisors are "very different" from underwriters, she said, adding that when the MSRB is

looking at the MA rules, it's important that the language and framework of those rules reflect the various activities that MAs perform for their clients.

Most MA firms are "very small," Gaffney said, adding that before the MSRB makes any big changes to its MA rules, it's important to get input from MAs to ensure the changes are "well understood and not too burdensome."

In addition to being small, MA firms are also "very regional," the NAMA executive director said.

For example, in Minnesota there's a prevalence of competitive bond sales due to state law, which makes that segment of the market "a little bit different than let's say California and other areas," she said.

"So just the issuance practices differ," she said, adding that "how MAs must comply with all MA rules relating to providing services to clients and running a firm varies."

NAMA is "very much looking forward to" working with the MSRB as it undertakes its holistic review of the rules "and hopefully the guidance as well," Gaffney said.

"MSRB looks forward to engaging with NAMA and the MA community as we move forward with MSRB's holistic review of MA rules," Ernie Lanza, chief regulatory and policy officer of the MSRB, said in comments provided to The Bond Buyer on Wednesday.

By Kathie O'Donnell

BY SourceMedia | MUNICIPAL | 02/20/25 01:02 PM EST

[What Drives Trading Volume in the Municipal Securities Market? An MSRB Study of Likely Factors.](#)

[Read the MSRB Publication.](#)

[Current Developments in SEC Enforcement for Private Funds and a Look Ahead: Morgan Lewis & Bockius](#)

[Read the Report.](#)

February 10 2025

[SEC Charges Silver Point Capital with Policy Failures Regarding Receipt of Material Nonpublic Information About Bonds Issued by Puerto Rico](#)

Washington D.C., Dec. 20, 2024 —

The Securities and Exchange Commission today charged registered investment adviser Silver Point

Capital L.P. with failing to establish, implement, and enforce written policies and procedures reasonably designed to prevent the misuse of material nonpublic information (MNPI) relating to its participation on creditors' committees.

According to the SEC's complaint, one of Silver Point's core strategies was to invest in distressed companies. As part of this strategy, and because of the nature of its business, a long-time Silver Point consultant, a now-deceased lawyer, participated on creditors' committees of those distressed companies on Silver Point's behalf. However, the SEC alleges, the firm failed to enforce policies and procedures that were reasonably designed to address the specific risks associated with the consultant's receipt of MNPI as a result of his participation on creditors' committees.

Specifically, the SEC alleges that, from September 2019 through February 2020, the consultant sat on an ad hoc creditors' committee in connection with the restructuring of Puerto Rico's defaulted municipal bonds and received MNPI from a related confidential mediation. According to the complaint, the consultant had extensive communications with Silver Point's public trading desk, without involving the firm's compliance department, at times when he had MNPI from the mediation and while Silver Point continued to buy Puerto Rico bonds. According to the SEC, this created a substantial risk that Silver Point may have misused information from the mediation in connection with its trading of Puerto Rico bonds.

"Silver Point is alleged to have purchased over \$260 million of Puerto Rico bonds during the same period that a Silver Point consultant, who possessed MNPI about the same Puerto Rico bonds, had more than five hundred calls with firm employees, including those who actively traded such debt, without involving the firm's compliance department," said Sanjay Wadhwa, Acting Director of the SEC's Division of Enforcement. "Allowing individuals who possess MNPI to have unfettered access to those making trading decisions presents an enhanced risk of misuse of MNPI, and the resulting risks to market integrity and investors are compounded when investment advisers fail to enforce their compliance policies and procedures to prevent the misuse of MNPI."

The SEC's complaint, filed in the U.S. District Court for the District of Connecticut, charges Silver Point with violating provisions of the Investment Advisers Act of 1940 related to establishing and enforcing reasonably designed compliance policies and procedures.

The SEC's investigation was conducted by Sally Hewitt, Heidi M. Mitza, and Jonathan Wilcox of the Public Finance Abuse Unit and Annie Hancock of the Asset Management Unit and supervised by Kevin B. Currid. The SEC's litigation will be led by Susan Cooke and Michael Moran of the Boston Regional Office.

[Update From GFOA's Federal Liaison Center On The Federal Funds Freeze.](#)

There remains uncertainty around how the Administration's funding freeze proposed on January 27 will ultimately play out. Two federal judges have temporarily blocked the freeze, the Office of Management (OMB) rescinded the memo calling for the pause in funding on January 29, and reports of entities like nonprofits and states having mixed experiences when trying to access federal funds, have all contributed to an already confusing set of circumstances. We continue to monitor this very fluid scenario.

[Read more](#)

MSRB Delayed Announcement of Effective Date for Amendment to MSRB Rule G-14 to Shorten Timeframe for Reporting Transactions in Municipal Securities.

[Read the MSRB Notice.](#)

Time to Bring California Out of the Municipal Reporting Stone Age.

California brands itself as the global leader in technology and innovation. Yet when it comes to modernizing state and municipal government financial reporting, the Golden State is stuck in the digital stone age.

Currently, California's local governments submit their Annual Comprehensive Financial Reports (ACFRs) — audited financial statements, detailing financial positions and changes in a PDF format, required by the California State Controller's Office. These documents are often hundreds of pages long, replete with complex accounting terminology and a lack of uniformity between various types of government municipalities and special districts' reporting. For those who are not CPAs or experts in municipal finance, making sense of this data is nearly impossible.

Instead, California should take the lead in advancing the latest technology: machine-readable formats for its (ACFRs) and single audits such as the freely licensed, open standard called eXtensible Business Reporting Language (XBRL).

[Continue reading.](#)

California Policy Center

by Andrew Davenport
Policy & Research Associate

February 6, 2025

Request for Information on the MSRB's Rate Card Process: SIFMA Comment Letter

Summary

SIFMA provided comments to the Municipal Securities Rulemaking Board (MSRB) in response to the Request for Information regarding its Rate Card Process.

[View the SIFMA Comments](#)

MSRB Discusses Market Regulation, Structure and Transparency Initiatives.

Washington, D.C. – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) met on January 29-30, 2025, holding its second quarterly meeting of fiscal year 2025. The Board discussed its FY 2025 regulatory priorities, key market structure and market transparency initiatives, and other actions to advance its FY 2022-2025 Strategic Plan.

“In 2025, MSRB celebrates 50 years of fulfilling its congressional mandate to protect investors, issuers and the public interest,” MSRB Board Chair Bo Daniels said. “This mandate remains our north star, and we look forward to advancing our market regulation, market transparency and market integrity efforts—all bolstered through stakeholder outreach and feedback—as we strengthen the municipal securities market and give America the confidence to invest in its communities.”

Market Regulation

The Board discussed ongoing regulatory matters and retrospective rule reviews, including:

- [Rule G-32](#): Potential revisions to streamline the submission process, to clarify the rule requirements, and improve the effectiveness of making existing primary market disclosures available through EMMA.
- [Rule G-27](#): Ongoing review of dealer supervision requirements and planned engagement with FINRA and the Securities and Exchange Commission on various provisions under the rule.
- Municipal Advisor Regulatory Framework: The launch of a holistic review of MSRB’s body of municipal advisor rules.

Market Structure

The Board received an overview of [MSRB’s 2024 Municipal Market Year in Review](#) and discussed upcoming research on the correlation between tax-exempt interest rate volatility, nominal tax-exempt yields and trading volume and a report on the increased participation by institutional investors in odd-lot trades.

Market Transparency

The Board also received an update on the modernization of the [Electronic Municipal Market Access \(EMMA\) website](#), including the initial round of ‘beta’ testing. The newly redesigned EMMA, featuring enhanced functionality and stakeholder-driven improvements, is expected to launch before the end of 2025.

Date: January 31, 2025

Contact:

Aleis Stokes, Chief External Relations Officer
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MSRB Publishes 2024 Annual Report and Audited Financial Statements.

Washington, D.C. – The Municipal Securities Rulemaking Board (MSRB) today published its annual report for the 2024 fiscal year, providing an overview of the organization’s regulatory initiatives, operational performance, and financial position. The report highlights the MSRB’s ongoing efforts to

enhance market transparency, streamline regulation, and engage stakeholders in promoting a fair and efficient municipal securities market.

“Everywhere you look, municipal bonds are hard at work improving quality of life and making America stronger,” MSRB Chair Warren “Bo” Daniels and MSRB CEO Mark Kim said in their letter to stakeholders. “MSRB serves an essential role in safeguarding the integrity of our nation’s \$4 trillion capital market, which finances stronger, more resilient communities for all Americans, and we remain resolute in upholding its congressional mandate through market regulation, market transparency and market integrity.”

The 2024 Annual Report highlights several key initiatives that reflect the MSRB’s strategic priorities, including:

Modernizing Market Regulation

- Amending [MSRB Rule G-14](#) to reduce trade reporting time to one minute.
- Amending [MSRB Rule G-47](#) to provide new time of trade disclosure scenarios and update certain interpretive guidance.
- Amending [MSRB Rule G-27](#) to allow dealers to conduct supervisory activities remotely.

Enhancing Market Transparency through Technology and Data

- Expanding EMMA’s yield curves and indices with the addition of the Tradeweb AAA Municipal Curve.
- Advancing the development of a modernized EMMA platform with a redesigned interface and user experience scheduled to launch in 2025.

Advancing Public Trust

- Engaging with stakeholders through a series of town halls to solicit feedback on MSRB’s budget and fee-setting process.
- Reaffirming its commitment to establish reasonable fees that are necessary or appropriate to advance its congressional mandate. To this end, MSRB has [issued an RFI](#) to inform potential modifications to its fee structure and rate card model.
- Streamlining MSRB’s Education Center and professional qualifications web pages to make it easier for participants to access and understand comprehensive information on the municipal securities market and qualifications requirements.

“In this annual report, we are pleased to highlight the progress we have made in advancing our FY 2022-2025 Strategic Plan,” MSRB CEO Mark Kim said. “As MSRB enters its 50th year, its leadership and staff are ever more dedicated to the mission of protecting and strengthening the market for the bonds that make America stronger.”

The annual report includes audited annual financial statements for the fiscal year that ended September 30, 2024. For a detailed look at the financials and insights into how the MSRB advances its mission, [read the report](#).

January 21, 2025

Contact: Aleis Stokes, Chief External Relations Officer
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MSRB Announces Discussion Topics for Quarterly Board Meeting.

Washington, DC – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) will meet on January 29-30, 2025, to hold the second quarterly meeting of fiscal year 2025.

Highlights of the Board discussion will include:

Market Regulation

The Board will discuss regulatory matters and receive updates on several ongoing retrospective rule reviews:

- [Rule G-32](#): Discussing ongoing work on potentially simplifying the submission process for Form G-32 in connection with new issue offerings.
- [Rule G-27](#): Discussing various aspects of current dealer supervisory obligations in light of changing work patterns and municipal market-specific practices.
- MA Regulatory Framework: Beginning the process of holistically reviewing the body of municipal advisor rules adopted after the enactment of the Dodd-Frank Act.

Market Structure

The Board will discuss recent and upcoming research publications including [MSRB's 2024 Municipal Market Year in Review](#), a report on the correlation between tax-exempt interest rate volatility, nominal tax-exempt yields and trading volume and a report on the increased participation by institutional investors in odd-lot trades.

Market Transparency

The Board will also receive an update on the modernization of the Electronic Municipal Market Access (EMMA) website, including ongoing stakeholder feedback received during the first round of 'beta' testing. The newly redesigned EMMA website is scheduled to be launched before the end of 2025.

January 23, 2025

Contact: Aleis Stokes, Chief External Relations Officer
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Cross-Trading at a Crossroads: WilmerHale

Once upon a time, in 1994, when I was a young lawyer in the SEC's Division of Investment Management (Division), Office of Chief Counsel, we received a request to modify a previously granted but totally impractical no-action position addressing Rule 17a-7 under the Investment Company Act of 1940 (the 1940 Act), which allowed funds to cross-trade municipal securities. The Division granted that request in January 1995, and for a number of years, funds relied on the new position to efficiently cross-trade various fixed income securities resulting in significant cost savings to the funds and their shareholders.

Originally published in The Investment Lawyer – January 2025.

Please see [full publication](#) for more information.

Wilmer Hale

by Amy Doberman

January 27, 2025

[SEC Approves FINRA Rules to Establish Securities Lending Reporting Facility: WilmerHale](#)

[View the article.](#)

WilmerHale – Bruce H. Newman, Stephanie Nicolas and Kyle P. Swan

January 23 2025

[Municipal Securities Disclosure \(Exchange Act Rule 15c2-12\): SIFMA Comment Letter](#)

Summary

SIFMA provided comments on the request for comment issued by the U.S. Securities and Exchange Commission (SEC) on the existing collection of information provided for in Rule 15c2-12 related to municipal securities disclosure (the “Rule”), under the Securities Exchange Act of 1934.

[Read the letter.](#)

[Regulator Explores the Collection of Pre-Trade Muni-Bond Prices.](#)

- **Vast number of bonds, infrequent trades make market opaque**
- **Electronic trading has made quotes more available to traders**

The municipal bond market’s regulator wants to know whether it should start collecting key price information for certain state and local government securities.

The Municipal Securities Rulemaking Board is seeking feedback on the potential benefits and disadvantages of getting pre-trade data from brokers and other participants in the public finance market to make the business more transparent, according to a Monday [news release](#).

Muni bonds — which are sold by state and local governments to primarily finance infrastructure projects — are unlike stocks. The over-the-counter market doesn’t have a mechanism to aggregate quotes and publicly disclose the price difference between the highest and lowest amount a buyer is willing to pay for a particular security. This is mostly due to its size. There are about 1 million

securities in the muni market, compared with 8,000 securities listed on US stock exchanges.

“Having a two-sided market is going to be very, very challenging on most munis when they don’t trade that frequently,” said Jesy LeBlanc, co-founder of TRADEliance, a consultancy focusing on trading operations and compliance.

Back in 2013, the MSRB embarked on a similar effort but “no formal rulemaking” came out of it, the release said. Comments for the latest initiative are due May 16.

A 2012 [report](#) by the US Securities and Exchange Commission offered some recommendations to improve pre-trade price transparency. Commissioners could require electronic platforms to publicly disseminate quotes on frequently traded bonds or those that trade in high volume, the report said.

Technology, however, has made it easier for muni-bond traders to get prices from multiple sources before they trade. Currently dealers typically provide quotes on electronic platforms, but the information is only available to participating banks, asset managers and registered investment advisers and isn’t broadly accessible to the public.

“While there has been some good progress in making more information available to traders over the last 15 years, that hasn’t really trickled down to the retail side and I just don’t see an easy way for that to occur,” said LeBlanc.

The MSRB’s free Electronic Municipal Market Access website, or EMMA, reports muni-bond trades to the public 15 minutes after they’re executed. In September, the SEC approved a proposed rule change requiring the reporting of trades in most bonds to 1 minute. The effective date hasn’t been announced.

Muni-bond trading costs have declined since the expansion of electronic trading and post-trade prices became [more transparent](#). The average spread between what a seller receives, and a buyer pays for a security with dealers acting as an intermediary dropped to 57 basis as of March 2023, from 73 basis points in 2019, according to the MSRB.

Bloomberg Markets

By Martin Z Braun

January 13, 2025

[MSRB Seeks Comment On The Potential Collection Of Pre-Trade Data.](#)

Concept release invites input on benefits, burdens and alternatives to potential initiative

Washington, D.C. – The Municipal Securities Rulemaking Board (MSRB) today published a concept release seeking public comment on a potential initiative to collect pre-trade data for certain municipal securities. The release marks an exploratory phase in MSRB’s ongoing efforts to assess opportunities for enhanced market transparency. This initial information-gathering step focuses solely on soliciting feedback to better understand the needs and concerns of municipal market participants, which would help inform whether to take further steps in connection with the potential pre-trade data initiative.

“We look forward to receiving public comment on the concept release to inform our understanding of the potential benefits and burdens of pre-trade data collection,” said MSRB CEO Mark Kim. “Significant changes in trading patterns over the past several years highlight the need for ongoing dialogue about how to enhance the transparency of the municipal securities market.”

The concept release is a direct result of extensive stakeholder outreach, reflecting input from a broad range of market participants. It outlines preliminary ideas for a potential framework to collect pre-trade data from sources such as brokers, dealers, municipal securities dealers, broker’s brokers, and Alternative Trading Systems, with an emphasis on minimizing duplicative reporting and associated costs. Any next steps in exploring pre-trade data collection are contingent on stakeholder feedback.

Comments should be submitted no later than May 16, 2025. For additional details, [read the notice](#).

Date: January 13, 2025

Contact: Aleis Stokes, Chief External Relations Officer
202-838-1500
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[SEC Updates Names Rule FAQs: K&L Gates](#)

On 8 January 2025, the staff of the Division of Investment Management of the US Securities and Exchange Commission (the SEC) released an updated set of Frequently Asked Questions (the FAQs) related to the amendments to Rule 35d-1 (Names Rule) under the Investment Company Act of 1940, as amended (the 1940 Act) and related form amendments (collectively, the Amendments) adopted in 2023. The FAQs modify, supersede, or withdraw portions of FAQs released in 2001 (the 2001 FAQs) related to the original adoption of the Names Rule. In addition to the FAQs, the SEC staff also released Staff Guidance providing an overview of the questions and answers withdrawn from the 2001 FAQs (Staff Guidance). Together, the FAQs and the Staff Guidance on the withdrawn FAQs are intended to provide guidance to the various implementation issues and interpretative questions left unclear by the adopting release of the Amendments to the Names Rule (2023 Adopting Release). While the FAQs and the Staff Guidance do not address all key issues and questions related to the Names Rule, they do provide new guidance on certain areas and suggest interpretive frameworks that can be more universally applied.

Revisions to Fundamental Policies

In the revised FAQs the SEC staff updates certain FAQs, broadening the reach of those FAQs’ applicability. For instance, the SEC staff modifies the 2001 FAQ relating to the shareholder approval requirement for a fund seeking to adopt a fundamental 80% Policy to also provide guidance in instances where an 80% investment policy (an 80% Policy) that is fundamental is being revised. The SEC staff provides clarification concerning the process required to revise fundamental investment policies. The FAQ states that a fundamental 80% Policy may be amended to bring such policy into compliance with the requirements of the amended Names Rule without shareholder approval, provided the amended policy does not deviate from the existing policy or other existing fundamental policies. The FAQs restate that individual funds must determine, based on their own individual circumstances, whether shareholder approval is necessary within this framework. Accordingly, funds may take the position that clarifications or other nonmaterial revisions to a fundamental 80% Policy

in response to the amended Names Rule would not require shareholder approval. If it is determined that nonmaterial revisions have been made to a fundamental 80% Policy, notice to the fund's shareholders is required.¹ Funds should also continue to provide 60 days' notice (as required by amended Rule 35d-1) for any changes to nonfundamental 80% policies. A similar analysis can be applied in determining whether a post-effective amendment filed pursuant to rule 485(a) under the Securities Act of 1933 is required in connection to the Names Rule implementation process.

Guidance on Tax-Exempt Funds

The FAQs provide insight into the SEC staff's view of the applicability of the Names Rule to funds whose names suggest their distributions are exempt from both federal and state income tax. According to the FAQs, such funds fall within the scope of the Names Rule and, per Rule 35d-1(a)(3), must adopt a fundamental policy to invest, under normal circumstances, either:

[Continue reading.](#)

K&L Gates LLP

By: Abigail P. Hemnes, Lance C. Dial, Gustavo De La Cruz Reynozo, Donela M. Qirjazi, Aster Cheng

Jan 14, 2025

MSRB Announces Members of 2025 Board Advisory Groups.

Washington, DC – The Municipal Securities Rulemaking Board (MSRB) today announced the members of its 2025 advisory groups, bringing together a cross-section of municipal market experts who will offer insights that inform MSRB's regulatory and compliance initiatives. A total of 41 experienced market professionals have been selected to serve on the Compliance Advisory Group (CAG), Municipal Fund Securities Advisory Group (MFSAG), and the newly formed Technology Advisory Group (TAG).

"Voices from across the municipal securities market ensure MSRB's regulatory framework reflects the broad perspectives and evolving needs of all market participants," said Warren "Bo" Daniels, Chair of the MSRB Board of Directors. "We look forward to working with our returning members and new members as they serve a critical role in enhancing MSRB's rulemaking, compliance initiatives, and market transparency efforts."

CAG, now in its eighth consecutive year, will continue to provide valuable feedback on MSRB's compliance initiatives to help dealers and municipal advisors navigate regulatory requirements effectively.

MFSAG, established to focus on regulatory issues and investor education in the 529 Savings Plan, Achieving a Better Life Experience Act of 2014 (ABLE) Program and other municipal fund securities space, will continue to provide insight in support of MSRB's regulatory guidance, transparency, and educational initiatives.

The newly introduced TAG convenes a group specifically focused on the intersection of technological innovation and regulation in the municipal securities market. TAG will provide input on technology topics and assess market trends to identify opportunities and challenges.

[Continue reading.](#)

Date: January 16, 2025

Contact: Aleis Stokes, Chief External Relations Officer
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SEC 2025 Names Rule FAQs.

The staff of the Division of Investment Management has prepared the following responses related to the Commission's [2023 adoption of amendments to rule 35d-1](#) under the Investment Company Act of 1940 ("Investment Company Act" or "Act," and the rule, the "names rule"), which addresses certain broad categories of investment company names that are likely to mislead investors about an investment company's investments and risks. The names rule was originally [adopted by the Commission in 2001](#). We refer to the release adopting the 2023 amendments as the "2023 Adopting Release" and the release adopting the original 2001 names rule as the "2001 Adopting Release."

When the Commission issued the 2023 Adopting Release, it stated in the release that staff would be reviewing its no-action letters and other statements addressing compliance with the names rule to determine which letters and other staff statements, or portions thereof, should be withdrawn in connection with the final amendments. Among the statements that the Commission listed for review is the [names rule FAQ document](#) that the staff published in 2001. The Commission stated in the release that portions of this document may be moot, superseded, or otherwise inconsistent with the final amendments and, therefore, may be withdrawn by the staff. The staff has compiled a [chart](#) showing the 2001 FAQs that staff has determined to withdraw (for example, because the FAQ addresses circumstances particular to the 2001 adoption of the names rule, or because the 2023 Adopting Release addresses the topic the 2001 FAQ covers). The staff is retaining the balance of the 2001 FAQs, with modifications, as set forth below.

The staff may update this information from time to time to include responses to additional questions. These responses represent the views of the staff of the Division of Investment Management. They are not rules, regulations, or statements of the Commission, and the Commission has neither approved nor disapproved these FAQs or the answers to these FAQs. The FAQs, like all staff statements, have no legal force or effect: they do not alter or amend applicable law, and they create no new or additional obligations for any person.

If you have questions about the application of these rules, please contact the Division of Investment Management Chief Counsel's Office at 202-551-6825 or IMOCC@sec.gov.

[Continue reading.](#)

2024 MSRB Municipal Bond Market In Review.

[View the Review.](#)

MSRB Notice Concerning Trades Effected on January 9, 2025 - National Day of Mourning for Former President Carter.

[Read the MSRB Notice.](#)

Strengthening Municipal Cybersecurity: Nixon Peabody

A Little Privacy, Please!

Matthew Gerstenfeld of Munichain discusses municipal cybersecurity challenges and solutions on the latest episode of *A Little Privacy, Please!*®

Welcome to the final 2024 episode of *A Little Privacy, Please!* Today, we're delighted to have Matthew Gerstenfeld, co-founder and CEO of Munichain, who will share insights about his company's innovative product. Our Nixon Peabody Public Finance partner and occasional co-host, [Rudy Salo](#), also joins us.

Thank you, Matt and Rudy, for joining us and discussing how to enhance the safety of municipal deals.

Matthew, tell us about Munichain, how the idea came about, and what the product does.

Munichain was created about seven or eight years ago when I worked in underwriting, sales, and trading. I realized there were many parties involved in public finance, such as advisors, bond attorneys, and banks, and most of the technology originated from the '90s. Many parties were unaccounted for, so [Munichain](#) was born as the connective tissue for the public finance market to hyper-connect folks who would otherwise rely on other means of communication.

[Continue reading.](#)

Nixon Peabody

By Jason Kravitz, Jenny Holmes and Rudy Salo

Dec 19, 2024

SEC Charges Silver Point Capital with Policy Failures Regarding Receipt of Material Nonpublic Information About Bonds Issued by Puerto Rico - SEC Press Release

The Securities and Exchange Commission today charged registered investment adviser Silver Point Capital L.P. with failing to establish, implement, and enforce written policies and procedures reasonably designed to prevent the misuse of material nonpublic information (MNPI) relating to its participation on creditors' committees.

According to the SEC's [complaint](#), one of Silver Point's core strategies was to invest in distressed

companies. As part of this strategy, and because of the nature of its business, a long-time Silver Point consultant, a now-deceased lawyer, participated on creditors' committees of those distressed companies on Silver Point's behalf. However, the SEC alleges, the firm failed to enforce policies and procedures that were reasonably designed to address the specific risks associated with the consultant's receipt of MNPI as a result of his participation on creditors' committees.

Specifically, the SEC alleges that, from September 2019 through February 2020, the consultant sat on an ad hoc creditors' committee in connection with the restructuring of Puerto Rico's defaulted municipal bonds and received MNPI from a related confidential mediation. According to the complaint, the consultant had extensive communications with Silver Point's public trading desk, without involving the firm's compliance department, at times when he had MNPI from the mediation and while Silver Point continued to buy Puerto Rico bonds. According to the SEC, this created a substantial risk that Silver Point may have misused information from the mediation in connection with its trading of Puerto Rico bonds.

"Silver Point is alleged to have purchased over \$260 million of Puerto Rico bonds during the same period that a Silver Point consultant, who possessed MNPI about the same Puerto Rico bonds, had more than five hundred calls with firm employees, including those who actively traded such debt, without involving the firm's compliance department," said Sanjay Wadhwa, Acting Director of the SEC's Division of Enforcement. "Allowing individuals who possess MNPI to have unfettered access to those making trading decisions presents an enhanced risk of misuse of MNPI, and the resulting risks to market integrity and investors are compounded when investment advisers fail to enforce their compliance policies and procedures to prevent the misuse of MNPI."

The SEC's complaint, filed in the U.S. District Court for the District of Connecticut, charges Silver Point with violating provisions of the Investment Advisers Act of 1940 related to establishing and enforcing reasonably designed compliance policies and procedures.

The SEC's investigation was conducted by Sally Hewitt, Heidi M. Mitza, and Jonathan Wilcox of the Public Finance Abuse Unit and Annie Hancock of the Asset Management Unit and supervised by Kevin B. Currid. The SEC's litigation will be led by Susan Cooke and Michael Moran of the Boston Regional Office.

sec.gov

2024-209

Washington D.C., Dec. 20, 2024 —

Hedge Fund Silver Point 'Refused to Settle' SEC Puerto Rico Suit.

Silver Point Capital plans to fight a US Securities and Exchange Commission lawsuit claiming the hedge fund firm failed to enact policies to bar a consultant from sharing confidential information about bonds issued by Puerto Rico.

The consultant, a now-deceased attorney, sat on a creditors committee tied to restructuring Puerto Rico's municipal bonds on behalf of Silver Point. He had "hundreds" of chances to share material non-public information with the firm's trading arm, the SEC alleged in a [complaint](#) filed in federal court in Connecticut on Friday.

Silver Point's alleged failure to monitor the lawyer's communications created a risk of profiting from insider information, according to the suit.

The credit-focused firm said in a statement that a four-year investigation and a review of roughly 350,000 documents showed no evidence that the attorney actually shared confidential information — or that Silver Point engaged in improper trades.

"We have refused to settle a matter in which there was neither any wrongdoing nor any deficiency in our information barrier policies or our compliance program," the firm said in the statement. "Silver Point has, at all times, behaved legally and ethically."

In 2015, Puerto Rico's economy collapsed, and the territory defaulted on much of its debt. When sitting on the creditors' committee from September 2019 to February 2020 on behalf of the firm, which invests in bankrupt and distressed entities, the lawyer had extensive communications with the firm's public trading desk without involving compliance staff, according to the complaint.

Silver Point bought \$260 million in Puerto Rico bonds during the same period, creating a "substantial risk" it may have used nonpublic information to make trades, the SEC alleges.

The firm generated profits of more than \$29 million, according to the SEC.

Allowing people who have material nonpublic information to have "unfettered access to those making trading decisions presents an enhanced risk of misuse," Sanjay Wadhwa, acting director of the SEC's enforcement division, said in a statement. "The resulting risks to market integrity and investors are compounded when investment advisers fail to enforce their compliance policies and procedures."

Bloomberg Markets

By Nicola M. White

December 20, 2024

[A Long Winter's Nap? SEC Off-Channel Communications Enforcement May Draw to a Close: Holland & Knight](#)

The SEC's wave of enforcement actions concerning "off-channel" communications did not abate in 2024. In total, the SEC announced more than 70 firms agreed to pay more than a half-billion dollars combined to settle charges for recordkeeping failures, including the first enforcement actions for recordkeeping violations against municipal advisors. In this penultimate installment of *Season's Readings*, we take a look at what drove these settlements this year and what may happen to the so-called "WhatsApp initiative" once there is a new driver at the SEC Division of Enforcement's helm.

Background

Rule 17a-4(b)(4) of the Securities Exchange Act of 1934 (Exchange Act) generally obligates exchange members and registered broker-dealers to maintain originals of all communications received and copies of all communications sent by them in an easily accessible format. Registered investment advisors are subject to similar, albeit narrower, record retention requirements under Rule 204-2(a)(7) of the Investment Advisors Act of 1940 (Advisors Act).

In 2021, the SEC and U.S. Commodities Future Trading Commission (CFTC) began investigating financial institutions' off-channel communications and, specifically, text and instant messages sent and received by employees on their personal devices. Since then, over 100 entities – including broker-dealers, investment advisors, municipal advisors and credit rating agencies – have been [charged](#) with violations of the recordkeeping requirements under the Exchange Act and Advisors Act and paid more than \$3 billion in civil penalties.

[Continue reading.](#)

Holland & Knight LLP – Brian A. Briz and Jessica B. Magee

December 20 2024

[NFMA Newsletter - December 2024](#)

The NFMA's newsletter, the Municipal Analysts Bulletin, has been released and includes reports from officers, committee chairs and societies.

[Click here](#) to download.

[MSRB Concept Release: MSRB Requests Comment on Potential Modernization of Municipal Fund Securities Disclosure Obligations](#)

[Read the MSRB RFC.](#)

[National Federation of Municipal Analysts Releases Draft Best Practices for Public Power.](#)

The National Federation of Municipal Analysts Disclosure Committee released the Draft Recommended Best Practices in Disclosure for Public Power Electric Utilities & Joint Action Agencies (RBP) for public comment through February 15, 2025.

To download the paper, [click here](#).

To read the press release, [click here](#).

[Orrick: FPPC Puts Focus on California Public Agency Bond Issue Mailers](#)

Public agencies considering bond campaigns in California should take note of a recent stipulation involving information that agencies sometimes share with voters before bond referendums.

The California Fair Political Practices Commission (FPPC) zeroed in on material a school district sent

voters before a bond referendum in Poway, just north of San Diego.

The FPPC alleged, and the District stipulated, that the mailer “unambiguously urged” the passage of the measure in violation of the Fair Political Practices Act and state law, and fined the District over \$13,000.

The Case

- In October 2019, about six months before a primary election, the Poway Unified School District sent residents a mailer indicating it was “considering” placing a bond measure on the ballot to repair and improve schools.
- The mailer indicated how the district would use bond proceeds if voters approved the measure.
- A complaint alleged the mailer used public funds to support the measure’s passage.
- The Commission’s [decision](#) amounts to an implicit announcement that mailers public agencies send voters before bond referendums may run afoul of state law.

The Context

Public agencies often face competing interests when it comes to sharing information about possible bond issues.

On one hand, agencies want to provide factual information to help voters assess bond proposals. On the other hand, a 1976 California Supreme Court [decision](#) says agencies should not use public money to try to influence a question voters will decide.

Unfortunately, public agencies have had to draw the line between impermissible partisan expenditures and informational ones without clear guidance from the courts.

The California Supreme Court decision acknowledged that past cases supported a public agency’s ability to make a fair presentation of facts relevant to an election matter. Even so, a number of publicly financed mailers that purported to contain only relevant factual information have nevertheless been found to constitute improper campaign literature – even when they did not explicitly exhort voters to “vote yes.”

The courts have said that each case determining the propriety of an expenditure under this rubric must carefully consider the style, tenor and timing of the publication at issue.

In Poway’s case, the FPPC found that the district provided detailed information about how funds would be used and accounted for and reflected the pressing need for improvements.

The FPPC stipulated that the mailer didn’t use inflammatory or overly argumentative language and instead focused on presenting facts and a clear plan for addressing facilities issues. However, according to the FPPC, the mailer made an “argument” for the measure by detailing deficiencies in facilities and linking the proposed improvements to student success and safety.

The Implications

Public agencies considering bond campaigns in future years should take note of the FPPC’s increased interest, and consult their attorneys prior to distributing the mailer.

The FPPC’s order with Poway does not have precedential value in California courts.

However, authorities do have the ability to impose civil fines on offending entities. In some cases,

they have the power to fine public officials, too.

Want to know more? Contact one of the authors (John Palmer, Eugene Clark-Herrera, Don Field and Lauren Herrera).

December.13.2024

2024 Joint Compliance Outreach Program for Municipal Market Participants - SEC Remarks

Hello, everyone:

As is customary, my comments today are provided in my official capacity as Director of the Office of Municipal Securities (OMS), but do not necessarily reflect the views of the Securities and Exchange Commission (Commission), the Commissioners, or members of the staff.

I want to start by thanking the Commission, FINRA, and MSRB staff as well as our market participants, panelists, and moderators for helping execute this year's Joint Outreach Program. We hear from market participants how important and useful this event is for understanding the actions and activities of the various market regulators. And they are also important for regulators to hear directly from you. I hope this year's event provided useful guidance, insightful discussion, and food for thought. We will also be posting resources related to the Joint Outreach Program on the Commission's website^[1] if you want to go back later and review specific items.

In these remarks, I want to summarize some important takeaways from the Joint Outreach Program in the context of some of the things that I am seeing in the municipal market.

As noted in the program's "Statutory Fiduciary Duty Panel," the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) codified a "statutory fiduciary duty" for municipal advisors.^[2] It is separate and distinct from MSRB Rule G-42.^[3] The statutory fiduciary duty for municipal advisors, like other fiduciary duties, is generally said to require that a municipal advisor act in utmost good faith, use reasonable care to avoid misleading clients, and fully and fairly disclose conflicts of interest.^[4] Municipal advisors also owe their municipal entity clients a duty of care and a duty of loyalty.^[5]

[Continue reading.](#)

Dave A. Sanchez, Director, Office of Municipal Securities

Denver, CO

Nov. 21, 2024

SEC Charges Municipal Advisor with Failing to Register with the Commission.

November 26, 2024 - The Securities and Exchange Commission today announced settled charges against Level Field Charter Partners, LLC ("Level Field") and one its partners, David Endom ("Endom"), for failing to register as a municipal advisor and for failing to disclose material facts

about the firm's registration status to their charter school clients.

The SEC's order finds that from April 2019 through December 2022, Level Field and Endom provided municipal advisory services to four charter schools in connection with six bond offerings. Those services included advice on the structure, timing, and terms of the offerings, coordinating the credit rating process, providing information on debt financing structuring options, including the sale of municipal securities, assisting in the selection of other parties to the bond financings, including underwriters, bond counsel, and municipal advisors, advising on current interest rates, participating in the bond pricing process, and making substantive edits to key transaction documents. Level Field and Endom did not disclose to their clients that the firm was not a registered municipal advisor.

The order charges Level Field with a willful violation of Section 15B(a)(1)(B) of the Securities Exchange Act of 1934 ("Exchange Act"), and charges Endom with causing Level Field's violation. The order also charges Level Field and Endom with willful violations of MSRB Rule G-17 and Exchange Act Section 15B(c)(1). Without admitting or denying the findings in the order, Level Field and Endom agreed to be censured and to cease-and-desist orders. Level Field also agreed to pay a civil penalty of \$75,000, disgorgement of \$25,007.38, and prejudgment interest of \$2,798.94. Endom agreed to pay a civil penalty of \$40,000.

The SEC's investigation was conducted by Cori Shepherd Whitten and Warren Greth, and supervised by Ivonia Slade and Rebecca Olsen, all of the Enforcement Division's Public Finance Abuse Unit.

Charter School Bonds Under Scrutiny: Procopio

SEC to Charter Schools: Avoid these risks when you engage your financing team

If you've financed a school facility - or you're thinking about it - the SEC is watching (out for) you and the financing team you hire. They've been going after unregistered advisors who have provided inadequate or conflicting advice to charter schools, exposing them to financial, reputational and legal harm.

A charter school seeking to finance school facilities will find no dearth of financial consultants and professionals offering advice about its financing options and how to navigate the process. School governing bodies and executive officers may not realize that these services are regulated under the federal securities laws enforced by the Securities and Exchange Commission (SEC) and the Municipal Securities Rulemaking Board (MSRB). Likewise, schools may not realize which advisors owe them a fiduciary duty (to put the school's interests first), and others who have no such duty.

For several years, the SEC has examined charter school bond financings and taken action against firms and individuals who may have violated federal laws and regulations in providing their services to charter schools. Such investigations can occur years after the bond transaction. The SEC's enforcement initiatives have led the SEC Office of Municipal Securities, Public Finance Abuse Unit, to issue an informational bulletin "*What Charter Schools Should Know About Municipal Advisor Regulation*," available [here](#). The bulletin provides links to resources, including SEC and MSRB lists of registered municipal advisors, making it easier for a charter school to determine the status of people and firms offering them advice about financing school facilities. Clearly, the SEC is prioritizing its examination of charter school bond financings - a process that can consume a school's scarce resources (e.g., time and money).

Recently the SEC charged a charter school advisory firm for failing to timely and fully disclose

material conflicts of interest in over \$500 million of bond issues for charter schools. In September, the SEC won a judgment in a case involving fee-splitting and violations of fiduciary obligations.

Two excerpts from the bulletin:

Charter Schools Are Strongly Encouraged to Work with Only Registered MAs

A charter school should be concerned about the risks of working with an unlawfully unregistered firm or individual because such unregistered firm or individual:

- Could be operating a business in violation of federal law;
- May have a history of legal violations or conflicts of interest that are unknown to regulators and potential clients; or
- May have not taken or passed the necessary professional qualification exams, may not receive continuing education training, and may not be supervised by qualified personnel.

These risks mean that a charter school working with an unregistered individual or firm might receive inadequate advice and potentially even conflicted advice. This could result in negative outcomes including, but not limited to, a charter school choosing a method of financing that is costlier and less desirable than another option, unfair pricing in a municipal bond issuance, or other financial, reputational, and legal harms.

SEC staff is concerned that charter schools are particularly vulnerable to potential harm from unregistered MAs. Although the requirement to register as an MA has been in place for over ten years, the SEC has filed a number of enforcement actions that involve unregistered firms and individuals who provided MA services to charter schools (see, e.g., [summaries of SEC enforcement actions against charter school advisors](#)).

and:

Charter Schools Are Strongly Encouraged to Report Potential Unregistered MA Activity or Other Potential MA Misconduct to the SEC

If you become aware of potential unregistered MA activity or other potential MA misconduct, SEC staff strongly encourages you to submit a tip, complaint, or referral (TCR) to the SEC by [following the instructions](#). A TCR may lead to a SEC enforcement action and may be submitted anonymously.

Procopio attorneys have decades of experience with tax-exempt bond financing and SEC enforcement activity. We provide legal advice to charter schools through all stages of the facilities financing process, as well as their ongoing responsibilities in compliance with federal securities and tax laws and regulations. Procopio also advises charter schools in responding to SEC enforcement investigations, whether conducted as informal interviews or official subpoenas for documents, correspondence and other evidence that may be relevant to the investigations.

If you have any questions or concerns about these matters and how Procopio might help, please feel free to [contact us](#).

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by Edsell “Chip” M. Eady Jr.

November 25, 2024

About the Author

Of Counsel

Chip represents charter schools financing school facilities in bond and loan transactions. He counsels clients who need to comply with federal tax and securities laws and regulations, including schools involved with investigations or responding to official enforcement actions and the concerns of lenders and bond investors. Chip's practice grows from decades of work with California educators, cities, agencies and special districts with projects including public and private schools, mixed use development, affordable housing, municipal utilities, pension and retirement benefits, healthcare, cultural and recreational facilities, transportation infrastructure, green power, water and wastewater facilities, open space preservation, land development and equipment leasing.

Feedback Requested on Two GASB Exposure Drafts.

Proposals Address Subsequent Events and Updated Implementation Guidance

Feedback is requested on a proposed Statement that would clarify requirements for subsequent events and a proposed Implementation Guide that would address questions about application of several GASB pronouncements.

[Learn More.](#)

SEC More Than Doubles Muni Enforcement Filings in FY 2024.

The Securities and Exchange Commission more than doubled the number of municipal market enforcement filings in fiscal year 2024 from fiscal 2023, in a year that saw 583 total enforcement actions and a record-breaking \$8.2 billion in financial remedies ordered.

Despite the great sum of financial remedies, the 583 enforcement actions represent a 26% decline in total enforcement actions compared to 2023. In each type of case, whether "stand-alone," "follow-on" or against issuers allegedly delinquent in making required filings to the SEC, 2024 marks a notable decline in actions compared to the previous year.

"The Division of Enforcement is a steadfast cop on the beat, following the facts and the law wherever they lead to hold wrongdoers accountable," said SEC Chair Gary Gensler. "As demonstrated by this year's results, the Division helps promote the integrity of our capital markets to benefit investors and issuers alike."

The Public Finance Abuse Unit, which handles municipal market cases, brought 14 cases in FY 2024, up sharply from six the prior year.

The \$8.2 billion in financial remedies ordered by the Commission consists of \$6.1 billion in disgorgement, again the highest amount on record, and \$2.1 billion in prejudgment interest, the second highest amount on record. Notably, 56% of all financial remedies ordered are attributable to Terraform Labs and Do Kwon, who were charged with one of the largest securities frauds in U.S. history. In the case, defendants were ordered to pay more than \$4.5 billion, the highest remedies ever obtained by the SEC following a trial.

Outside of the Terraform Labs and Do Kwon trial, it appears the SEC credits the number of filings this year to the willing participation of market participants. “Market participants across the spectrum – from public companies to major broker-dealers and advisory firms – stepped up efforts to self-report, remediate, and meaningfully cooperate with our investigations, answering our call to foster a culture of compliance,” said Sanjay Wadhwa, Acting Director of the SEC’s Division of Enforcement.

Fiscal 2024 additionally marks the Commission’s first cases charging recordkeeping violations against municipal advisors. As of September, the SEC announced that the parties found in violation include Acacia Financial Group Inc., Caine Mitter and Associates Inc., Kaufman Hall and Associates LLC, Montague DeRose and Associates LLC, PFM Financial Advisors LLC, Phoenix Advisors LLC, Public Resources Advisory Group Inc., and Zions Public Finance Inc.

Each firm was charged with supervision failures and with violating certain recordkeeping provisions of both the Securities Exchange Act and the rules of the Municipal Securities Rulemaking Board. Each firm was censured and ordered to cease and desist from future violations of the relevant recordkeeping provisions, along with being ordered to pay civil penalties.

“The books and records requirements are critical to facilitating Commission inspections and examinations of municipal advisors and in evaluating a municipal advisor’s compliance with the applicable federal securities laws,” said Rebecca Olsen, Deputy Chief of the SEC’s Division of Enforcement Public Finance Abuse Unit.

Apart from financial remedies and recordkeeping violations, 2024 marks a significant year for the Commission in terms of enforcement. This year, the SEC obtained orders barring 124 individuals from serving as officers and directors of public companies, the second-highest number of such bars obtained in a decade. The Commission also received 45,130 tips, complaints, and referrals in fiscal year 2024, the most ever received in one year, including more than 24,000 whistleblower tips, more than 14,000 of which were submitted by two individuals.

“The varied enforcement actions recommended in fiscal year 2024 demonstrate the Division keeping pace with emerging threats,” said Sam Waldon, Acting Deputy Director of the Division of Enforcement. “I could not be prouder of the dedicated and talented staff of the Division of Enforcement who work tirelessly to hold wrongdoers accountable, promote compliance, and help promote investor trust in the markets.”

By Layla Kennington

BY SourceMedia | MUNICIPAL | 08:43 AM EST

[FAF Board of Trustees Reappoints and Names New GASB Members, Reappoints GASAC Chair and Appoints New GASAC Vice Chair](#)

Norwalk, CT, November 19, 2024 — The Board of Trustees of the Financial Accounting Foundation (FAF) today announced the appointment of Robert W. Scott to a five-year term on the Governmental Accounting Standards Board (GASB). Mr. Scott currently serves as the director of finance and administration for the city of Brookfield, Wisconsin. His term begins July 1, 2025, and extends through June 30, 2030.

The Trustees also announced the reappointment of Dianne E. Ray to a second term on the GASB.

This will extend her service through June 30, 2030.

Robert W. Scott Appointment to GASB

Mr. Scott has been the director of finance and administration for the city of Brookfield, Wisconsin since 1999. Prior to joining the city of Brookfield, he served in similar financial management positions for Milwaukee Area Technical College and the cities of Franklin and Cedarburg, Wisconsin. Before entering the public sector, he was employed as an audit manager with the accounting firm of Deloitte & Touche. He joined the Governmental Accounting Standards Advisory Council (GASAC) in 2011 as a representative of the Government Finance Officers Association (GFOA) and served as chair from 2015-2021.

"The FAF Board of Trustees would like to welcome Robert to this role," said FAF Chair Edward Bernard. "With over 35 years of professional experience auditing, reviewing, and preparing local government financial statements, he brings both a technical and practical understanding of the role accounting plays in advancing transparency and accountability in government."

"Robert's previous service to the mission of the GASB, as chair of the Governmental Accounting Standards Advisory Council (GASAC), sets the stage for the role he will play as a member of the GASB," said Joel Black, chair of the GASB. "He possesses a proven understanding and dedication to the standards-setting process, we are pleased to be working with him again, in this new capacity."

Mr. Scott will succeed outgoing GASB Member Brian W. Caputo, whose second term concludes on June 30, 2025.

Dianne E. Ray Reappointment to GASB

Ms. Ray was appointed to her first term on the GASB in 2020. She is the former Colorado state auditor, having served in that role for 10 years. During her tenure she was recognized for her innovative leadership style and was named one of three "Women to Watch" in the Experienced Leadership category by the Colorado Society of Certified CPAs. Prior to becoming a state auditor, Ms. Ray was the deputy state auditor for the Office of the State Auditor (OSA), for the state of Colorado.

"Dianne's practical experience and understanding of issues facing state auditors, makes her perspective an important asset to our process," said FAF Chair Edward Bernard.

Additionally, the Trustees are pleased to announce the reappointment of Robert Hamilton to the role of GASAC chair and the appointment of Ms. Suzanne Lowensohn to the role of vice chair for the GASAC.

Robert Hamilton Reappointed as GASAC Chair

Mr. Hamilton's second term as GASAC chair will continue through December 31, 2026. Mr. Hamilton joined the GASAC in 2021 and was initially appointed GASAC chair in January 2024.

Mr. Hamilton has been with the Department of Administrative Services for the state of Oregon since 2012, where he currently serves as controller. He is actively involved with the National Association of State Comptrollers (NASC), currently serving as vice chair, and represents the National Association of State Auditors, Comptrollers and Treasurers (NASACT) as a member of the GASAC, under which he has served as vice chair and now chair. Robert was a member of the GASB's Disclosure Framework Task Force and is serving on the task force for Revenue and Expense Recognition. He is a certified public accountant (CPA) and received his degree from the University of

Oregon.

Suzanne Lowensohn Appointed as GASAC Vice Chair

Dr. Lowensohn, an associate professor of accounting and Director of the Master of Accountancy program at the University of Vermont, Grossman School of Business, has been appointed to serve as vice chair of the GASAC. A current member of the GASAC, representing the American Accounting Association (AAA), she will serve in this role for one year, concluding on December 31, 2025.

Dr. Lowensohn joined the University of Vermont's faculty in 2016 and currently teaches managerial, governmental, and not-for-profit accounting. She was named 2022-2023 faculty member of the year for the university's Sustainable Innovation MBA program and 2021 teacher of the year for their Master of Accountancy program. She has previously taught at Colorado State University, Barry University, and the University of Southern Maine and had worked as an auditor with KPMG. She has served on the GASB's Disclosure Framework Task Force and is a former president of the AAA Government & Nonprofit Section. In addition, Suzanne served as a GASB academic fellow and has been a member of the GASAC since 2022.

[GASB Third Quarter Chair Report Available.](#)

[View the Q3 Chair Report.](#)

November 14, 2024

[MSRB Seeks Board of Directors Applicants.](#)

Washington, D.C. – The Municipal Securities Rulemaking Board (MSRB) is soliciting applications for four positions on its Board of Directors for the 2026 fiscal year. Selected candidates will be elected to four-year terms beginning October 1, 2025, where they will have the opportunity to advance the MSRB's mission to protect investors, issuers and the public interest.

"This year the Nominating Committee is looking for one municipal advisor, one broker-dealer, and two public representatives to join the Board," said Katano Kasaine, MSRB Board member and Chair of the Nominating Committee. "We encourage qualified candidates with a commitment to advancing a fair and transparent municipal securities market to apply."

MSRB's Board is charged with setting regulatory policy, authorizing rulemaking, enhancing market transparency systems and overseeing operations for the organization. The Board is currently overseeing the execution of the MSRB's FY 2022-2025 strategic goals, with a focus on modernizing the MSRB rule book, enhancing municipal market transparency through technology and data and upholding the public trust through fiscal transparency as well as a commitment to social responsibility, diversity, equity and inclusion. Board members are compensated for their service.

Board Composition and Available Positions

The Board is composed of 15 members, which must include eight members who are representatives of the public, including investors, municipal entities and other individuals not regulated by the MSRB, and seven members from firms that are regulated by the MSRB, including representatives of

banks, broker-dealers, and municipal advisors. During the current nominating process, the Board will elect two public and two regulated representatives to join the Board on October 1, 2025. Among the regulated positions, the Board must elect one non-dealer municipal advisor representative and one broker-dealer representative. Potential applicants should review the MSRB's [FAQs on Board Membership Categories and Eligibility](#) for the requirements for the non-dealer municipal advisor and broker-dealer representative categories. All applicants must be knowledgeable of matters related to the municipal securities market.

Application Details

Applications are made through the MSRB [Board of Directors Application Portal](#) and will be accepted from January 6, 2025, through February 14, 2025. At least one letter of recommendation must be submitted with the application.

Additional details on the Board application process, including a copy of the application form, information about Board service requirements and FAQs are available on the MSRB's website. Questions regarding the application and selection process should be directed to Jake Lesser, General Counsel, at 202-838-1395 or jlesser@msrb.org.

Date: November 18, 2024

Contact: Aleis Stokes, Chief External Relations Officer
202-838-1500
astokes@msrb.org

[SEC to Charter Schools: Use Registered Municipal Advisors - Orrick](#)

The SEC is reminding charter schools to seek advice on municipal securities only from [registered municipal advisors](#).

A [bulletin](#) from the SEC's Office of Municipal Securities and Division of Enforcement's Public Finance Abuse Unit follows recent enforcement actions against unregistered municipal advisors in the charter school sector.

Advisors Must Register

The SEC aimed its bulletin at people who make financial decisions for charter schools.

- It warns about consultants, financial advisors, real estate developers and others who may offer financial advice to charter schools on topics that fall under the SEC's purview.
- Many of these individuals are not registered municipal advisors and do not serve as fiduciaries to their clients, the SEC says.

The law considers any group that advises a charter school on municipal securities to be a municipal advisor that must register with the SEC.

Protecting Borrowers

The SEC regulates municipal advisors to protect borrowers from abuses, including "undisclosed conflicts of interest, advice rendered without adequate training or qualifications, and placing their own interests ahead of their clients' interests."

Charter schools that receive inadequate or conflicted advice could experience costlier and less desirable financings.

[Check the SEC's list of registered municipal advisors](#)

Orrick, Herrington & Sutcliffe LLP

November 15, 2024

SEC Informational Bulletin: What Charter Schools Should Know About Municipal Advisor Regulation

The SEC's Office of Municipal Securities and Division of Enforcement, Public Finance Abuse Unit, are issuing this Informational Bulletin to help educate those who make financial decisions on behalf of charter schools—including charter school applicants, charter school administrators, charter school management organizations or operators, and charter school governing boards—on important considerations when working with anyone who provides advice on the issuance of municipal securities (e.g., municipal bonds) or other related topics but is not registered as a “municipal advisor.”

Who Are “Municipal Advisors?”

Are you looking to acquire charter school facilities? Are you considering constructing a facility, purchasing a completed facility, or renovating an existing facility? Are you considering refinancing debt previously incurred with respect to a facility?

If so, you may be approached by—and ultimately choose to hire—an outside “consultant,” “financial advisor,” “real estate developer,” support specialist,” or other self-described “expert” who says they can help you arrange funding for your charter school facilities. This advisor may provide services such as developing a financing plan and evaluating different financing options and structures, including the use of municipal bonds. If you consider raising funds through the issuance of municipal bonds, this advisor might help you select other parties to a financing such as lawyers and underwriters, prepare a disclosure document describing the terms of the financing, evaluate and negotiate financing terms, or recommend how funds raised through a municipal bond offering should be invested if you do not plan to spend all funds immediately. While not an exhaustive list, any person providing services involving advice with respect to the issuance of municipal securities would be engaging in “municipal advisory activity.”

When a person provides you with advice on the issuance of municipal bonds or other related topics (e.g., evaluating different financing options and structures or on the selection of other parties to the financing), they may be considered a “municipal advisor” or “MA”—a category of financial professionals regulated by the SEC under federal law. A municipal advisor owes a fiduciary duty to its municipal entity clients.^[1] An MA may provide valuable services to your charter school. The SEC regulates MAs in part to protect both issuers of municipal bonds and those who borrow the proceeds of municipal bonds, including charter schools, from potential abuses such as undisclosed conflicts of interest, advice rendered without adequate training or qualifications, and placing their own interests ahead of their clients' interests, all of which could cause harm to your charter school, including but not limited to increased financing costs.

A Wide Range of People May Be Considered MAs

A person may be considered an MA regardless of the title they use (such as the various titles above), the other professional statuses they may hold, or the type of business they are affiliated with (which may or may not be financial in nature). For instance, a charter school could potentially receive advice—and therefore be dealing with an MA—from a wide range of actors, including: (a) a firm that is not necessarily financial in nature, such as a charter school consulting firm, a real estate development firm, or a construction firm; (b) a financing firm that offers bridge financing, loans, and/or grants to charter schools; or (c) in the most straightforward case, a standalone MA firm that plainly markets itself as a “municipal advisor” or “financial advisor.”

The takeaway is this—any person engaging in municipal advisory activities is considered an MA (unless specific exclusions/exemptions apply)[2] and therefore must be registered before engaging in those activities.

Federal Law Requires MAs to Register with the SEC and MSRB

Under federal law, a person must register with both the SEC and the Municipal Securities Rulemaking Board (“MSRB”) prior to engaging in “municipal advisory activities.” A person generally must register with the SEC by filing forms that disclose a variety of information which may be pertinent to clients or potential clients, such as information about its business and disciplinary history. These forms, each of which include “MA” in the name, are available to the public for review, free of charge, on the SEC’s [EDGAR website](#).

MAs are also subject to conduct rules that provide significant protections to their clients, including charter schools. A [summary of these rules](#) may be found in the MA client brochure posted on the MSRB website.

Charter Schools Are Strongly Encouraged to Work with Only Registered MAs

A charter school should be concerned about the risks of working with an unlawfully unregistered firm or individual because such unregistered firm or individual:

- Could be operating a business in violation of federal law;
- May have a history of legal violations or conflicts of interest that are unknown to regulators and potential clients; or
- May have not taken or passed the necessary professional qualification exams, may not receive continuing education training, and may not be supervised by qualified personnel.

These risks mean that a charter school working with an unregistered individual or firm might receive inadequate advice and potentially even conflicted advice. This could result in negative outcomes including, but not limited to, a charter school choosing a method of financing that is costlier and less desirable than another option, unfair pricing in a municipal bond issuance, or other financial, reputational, and legal harms.

SEC staff is concerned that charter schools are particularly vulnerable to potential harm from unregistered MAs. Although the requirement to register as an MA has been in place for over ten years, the SEC has filed a number of enforcement actions that involve unregistered firms and individuals who provided MA services to charter schools (see, e.g., [summaries of SEC enforcement actions against charter school advisors](#)).

How Can Charter Schools Confirm an Individual or Firm Is a Registered MA?

- Interested parties can find the [names of all SEC-registered MAs](#).
- A [list of MSRB-registered MA firms](#) and their associated qualified representatives.

Charter Schools Are Strongly Encouraged to Report Potential Unregistered MA Activity or Other Potential MA Misconduct to the SEC

If you become aware of potential unregistered MA activity or other potential MA misconduct, SEC staff strongly encourages you to submit a tip, complaint, or referral (“TCR”) to the SEC by [following the instructions](#). A TCR may lead to a SEC enforcement action and may be submitted anonymously.

Where Can Charter Schools Find More Information About MAs?

More information about the SEC’s regulation of MAs is available at the [Office of Municipal Securities website](#).

The MSRB also provides educational material on various topics related to MAs at its [Education Center website](#) that may be helpful to charter schools seeking additional information.

For additional information, call the Office of Municipal Securities at 202-551-5680, or email us at Munis@SEC.gov.

This Informational Bulletin represents the views of the staff of the Office of Municipal Securities and the Division of Enforcement, Public Finance Abuse Unit. It is not a rule, regulation, or statement of the Securities and Exchange Commission (“Commission”). The Commission has neither approved nor disapproved its content. This Bulletin, like all staff statements, has no legal force or effect: it does not alter or amend applicable law, and it creates no new or additional obligations for any person.

[1] Charter schools are generally considered municipal entities because they are public schools and derive their charter from a political subdivision of a state. See Registration of Municipal Advisors, SEC Release No. 34-70462 (Sept. 20, 2013), 78 FR 67468, 67486 (Nov. 12, 2013).

[2] These exclusions include but are not limited to: (i) certain public officials and employees providing advice within the scope of their official capacity or employment; (ii) broker-dealers serving as an underwriter; (iii) certain investment advisers providing investment advice; (iv) banks engaging in traditional banking activity; and (v) attorneys offering legal advice or providing services of a traditional legal nature. There is also an exemption for accountants providing audit or other attest services or preparation of financial statements.

[Muni Disclosure: Time to Bring In SEC?](#)

After decades of what investors see as inadequate disclosure from cities, towns and states, it’s time to consider a fundamental change in the \$4 trillion municipal bond market: direct federal oversight.

That’s the argument from a pair of market veterans who admit it’s a provocative position for a market that is famously distinctive in its power of self-regulation.

Issuers and their bond counsel, unsurprisingly, are dead set against the proposal.

In a pair of articles posted on University of Chicago Booth School of Business academic journal Promarket, public finance attorney David Dubrow, a partner at ArentFox Schiff, and former director of the Office of State and Local Finance at the U.S. Treasury Kent Hiteshow lay out their case for why it’s time for the Securities and Exchange Commission to step in and directly oversee issuer disclosure or, at the least, expand its anti-fraud powers over underwriters to include specific

disclosure requirements.

The first piece, published Oct. 22, is titled "[Decades of Regulatory Exemptions Have Been to the Detriment of the Municipal Bond Market](#)," and outlines the history of issuer exemption and the later adoption of indirect regulation through underwriters.

The second piece, published Oct. 23, is titled "[The Case for Modernizing Municipal Bond Disclosure Transparency](#)," and outlines an argument for increased oversight, either through Congress or the SEC, and offers guidelines to enhance consistency and transparency and bring muni disclosure "into the modern era."

"We understand some of the things we said will be controversial," Hiteshew said. "But we have, in the span of several years, the largest defaults ever in Detroit, Jefferson County [Alabama] and Puerto Rico, and we've had no discussion of whether improved disclosure may be appropriate," he said. "We thought it would be a good time to have that conversation."

They sent the articles to the SEC and Municipal Securities Rulemaking Board.

The debate over disclosure by government entities issuing municipal bonds stretches back decades. While the muni market has been partially exempt from Securities and Exchange Commission oversight since the commission's creation in 1933, there have been tweaks along the way to increase oversight.

Most of the changes came in the wake of high-profile troubled municipal events, Dubrow and Hiteshew noted in their article.

It was New York City's near default in 1974 that created the Municipal Securities Rulemaking Board as a self-regulatory body. The Washington Public Power Supply System's bankruptcy and default on \$2.2 billion of bonds in 1983 prompted the SEC to use its anti-fraud powers for indirect regulation through the creation of Rule 15c2-12 requiring underwriters to impose disclosure requirements, which was amended in 1994 to include continuing disclosure.

In addition to the defaults, "the municipal market has changed a lot," Dubrow said. One-third of the market now consists of private activity bonds issued for borrowers who often act more like private entities than traditional muni issuers, said Dubrow, who works on restructurings, workouts and bankruptcies.

"That's a big deal in the sense that the disclosure and requirements in the municipal market are different than when these private entities go to market in the corporate market, and so there's certain advantages to using the muni market, but the disclosure requirements really shouldn't be different," he said.

Increasing oversight could either come through Congress repealing the Tower Act, which restricts direct SEC and MSRB authority, so the two bodies could directly regulate issuer offering statements, or by expanding the SEC and MSRB anti-fraud regulatory authority over broker-dealers to include specified disclosure requirements within Rule 15c2-12.

Dubrow and Hiteshew prefer the statutory route. "That's very straightforward and they'd be passing a law that would require issuers to do these things," Dubrow said.

Congress could direct the SEC to differentiate between different issuers, they proposed. "For example, conduit borrowers should be treated more akin to the corporate-like issuers they truly represent and subjected to more rigorous standards consistent with their much higher default

experience. In addition, small, infrequent governmental issuers might be afforded more abbreviated standards than larger, regular governmental issuers.”

The pair outline eight guidelines for enhancing transparency in offering documents, including readability, robust risk sections, and timely audits.

From the perspective of the local governments and states who issue bonds, and the bond counsel who represent them, direct regulation is an unnecessary overreach of federal power.

Repeal of the Tower Amendment “is a nonstarter for us,” said Jason Akers at Foley & Judell, LLP, president of the National Association of Bond Lawyers, in an email.

“We recognize the need for disclosure practices to evolve with changes in the market, but we don’t need to burn the existing system to the ground to foster greater transparency,” Akers said. “It would be more productive to have inclusive industry discussions about if and how we move toward some of these guidelines, rather than asking Congress or regulators to force it upon such a sizeable and diverse market,” he said. “Market practices are constantly evolving and improving, and industry efforts within the existing regulatory paradigm have led to some of the most positive developments in municipal disclosure over the years.”

Issuers themselves are well aware of the importance and market benefits of solid disclosure and work hard at meeting best practices, said Emily Brock, federal liaison for the Government Finance Officers Association.

The GFOA’s best practices ranges “from primary through continuing and to voluntary disclosure practices and are practiced by issuers throughout the United States,” Brock said. “The articles fail to acknowledge the voluntary work issuers have already done and will continue to do to move the needle forward on municipal disclosure.”

As someone who has been tracking the disclosure debate since the 1980s, Rich Ciccarone, president emeritus of Merritt Research Services, said while some disclosure areas, like accessibility and comparability, have improved, others, like timeliness, remain a big problem. States like Illinois and California have still not filed their 2023 audits, he noted.

“That creates a serious vulnerability in the integrity of the municipal bond market,” said Ciccarone, who penned an article for the Wall Street Journal in 1987 titled “Municipal bondholders need more information.”

“The history of self-regulatory improvements have met a lot of our expectations and created a very substantial framework to complete the job,” he said. “But I would say right now that I think a measured response from the regulatory arena is in order.”

By Caitlin Devitt

BY SourceMedia | MUNICIPAL | 11/01/24 11:29 AM EDT

[SEC Division of Examinations 2025 Exam Priorities - a Focus on Artificial Intelligence, Private Funds, and Cybersecurity: MoFo](#)

On October 21, 2024, the U.S. Securities and Exchange Commission’s (“SEC”) Division of

Examinations (“EXAMS”) announced its [2025 Examination Priorities](#) (the “2025 Priorities”), highlighting areas that it expects to target during examinations in 2025. The 2025 Priorities reinforce many of the same areas of focus as the 2024 priorities, including investment advisers to private funds, conflicts of interest disclosures, Regulation Best Interest (“Reg BI”), cybersecurity, and crypto assets. The 2025 Priorities also signal heightened attention to emerging areas of concern, including the use of artificial intelligence (“AI”) and client exposure to commercial real estate.

Registered investment advisers (“RIAs”), registered investment companies (“RICs”), and broker-dealers should carefully review the 2025 Priorities to ensure their compliance systems and policies are up to date, monitored, and enforced. Indeed, given the SEC’s history of pursuing enforcement actions in areas highlighted in prior years as Examination Priorities, appropriate attention to the 2025 Priorities today could save regulated entities considerable resources down the road.[1]

Ed. Note: “The 2025 Priorities note that EXAMS will continue to focus on:

Municipal advisors, including whether they have met their fiduciary duty to municipal entity clients, as well as whether municipal advisors have complied with MSRB Rule G-42, which establishes the core standards of conduct and duties applicable to non-solicitor municipal advisors.”

[Continue reading.](#)

Morrison & Foerster LLP – Kelley A. Howes, Sarah Y. Hanni, Derek N. Steingarten, Michael D. Birnbaum, Haimavathi V. Marlier, Val Dahiya and Aaron J. Russ

November 1 2024

[SEC Division of Examinations Announces 2025 Exam Priorities: Mayer Brown](#)

Priorities Include Artificial Intelligence and Other Emerging Technologies, Complex Products, Reg BI, Cybersecurity, Outsourcing, Private Funds and Compliance with New and Amended SEC Rules

On October 21, 2024, the Division of Examinations (“EXAMS” or the “Division”) of the U.S. Securities and Exchange Commission (“SEC”) released its examination priorities (the “2025 Priorities”) for fiscal year 2025 (which started October 1, 2024).¹ Over the course of 2025, the Division intends for its examinations to focus on the use of artificial intelligence (“AI”) and other emerging technologies (including digital engagement practices (“DEPs”)), complex products, cybersecurity, outsourcing, private fund advisers, and compliance with new and amended SEC rules, such as the recent amendments to Regulation S-P and SEC rule changes relating to the securities industry’s transition to a T+1 standard settlement cycle for most securities transactions.

In this Legal Update, we provide a brief overview of the 2025 Priorities, with a focus on topics relevant to broker-dealers and investment advisers.

Ed. Note: “Please see Additional areas for examination include broker-dealers’ trading practices associated with trading in pre-IPO companies, sales of private company shares in secondary markets, and execution of retail orders. Regarding retail order execution, the Division’s reviews will include: (1) whether retail orders are marked as “held” or “not held,” and the consistency of such markings with retail instructions, and (2) *the pricing and valuation of illiquid or retail-focused instruments such as variable rate demand obligations, other municipal securities, and non-traded real estate investment trusts (REITs).* Finally, in relation to Regulation SHO, the Division will review whether broker-dealers are appropriately relying on the bona fide market making exception, including whether quoting activity is away from the inside bid/offer.”

[Continue reading.](#)

Mayer Brown LLP – Steffen Hemmerich, Adam D. Kanter, Timothy B. Nagy, Anna T. Pinedo, Stephen Vogt, Mark X. Zhuang and Leslie S. Cruz

November 4 2024

MSRB Seeks Input on Rate Card Fee-Setting Framework.

Initiative Reinforces MSRB’s Focus on Financial Transparency and Stakeholder Engagement

Washington, D.C. – The Municipal Securities Rulemaking Board (MSRB) has issued a Request for Information (RFI) seeking input on its fee-setting process to evaluate potential modifications to its rate card model. The RFI follows extensive stakeholder dialogue and engagement efforts throughout 2024 to better understand the perspectives of market participants, specifically related to the impact of market volatility on fees. The RFI seeks further input from regulated entities, issuers, investors and the public to better inform MSRB’s retrospective review of the rate card process.

“MSRB’s primary objectives in establishing the rate card model has been to increase transparency, maintain an equitable balance of fees among regulated entities and mitigate the impact of market volatility on MSRB’s revenues, all while managing the MSRB’s reserves to target levels,” MSRB CEO Mark Kim said. “Through our retrospective review of the rate card model and the RFI released today, MSRB looks forward to receiving public comments to help inform improvements to our fee-setting process to responsibly fund the future of regulation, while advancing MSRB’s Congressional mandate.”

The rate card model applies to the establishment of the underwriting, transaction, and trade count fees for dealers under [MSRB Rule A-13](#), and the municipal advisor professional fee under [MSRB](#)

[Rule A-11](#), with such rate card fees anticipated to be set generally on an annual basis.

MSRB will not file a new set of rate card fees for calendar year 2025. Instead, it plans to leverage input from the RFI to determine whether any modifications to the model are warranted so that any changes can be instituted, and new rate card fees can be established for calendar year 2026 if necessary or appropriate.

MSRB seeks input on the following topics:

- Rate-setting process for dealers;
- Rate-setting process for municipal advisors;
- Fee distribution across regulated entities; and
- Management of organizational reserves

Responses to the RFI are due January 31, 2025.

[Read the Request for Information.](#)

Date: October 30, 2024

Contact: Aleis Stokes, Chief External Relations Officer
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[ESG Compliance in Managing State & Municipal Public Pension Assets - Eversheds](#)

Navigating the complexities of ESG legislation, regulations and investment policy statements

One investment attorney offers his expertise and insights on the complexities surrounding ESG investment policies within state and municipal retirement plans

We spoke to Ethan Corey, a Senior Counsel at Eversheds Sutherland, about the nuances of various policy statements, the impact of state legislations, and the necessity of thorough review to grasp how investment policies are implemented and have evolved across different states.

Corey provides a comprehensive understanding of the challenges and considerations asset managers and proxy voting providers face in navigating the ever-changing landscape of investing in mandates that incorporate one or more environmental, social & governance (ESG) objectives.

[Continue reading.](#)

Thomson Reuters

October 23, 2024

SEC Charges Municipal Advisor and its Managing Director with Failing to Timely and Fully Disclose Material Conflicts of Interest to Charter School Clients.

October 24, 2024 – The Securities and Exchange Commission today charged that Hamlin Capital Advisors, LLC (Hamlin Advisors) a registered municipal advisor, and its associated person and Managing Director, Michael Ferrell Braun, failed to timely and fully disclose material conflicts of interest and engaged in related violations including violations of Municipal Securities Rulemaking Board (MSRB) rules and that Hamlin Advisors breached its fiduciary duty with respect to its disclosure violations. Hamlin Advisors and Braun agreed to settle the charges without admitting or denying the SEC’s findings.

According to the SEC’s order, from September 2017 to at least April 2022, Hamlin Advisors and Braun provided advice to certain charter schools (directly or indirectly through related borrower entities) on the issuance of municipal bond offerings totaling over \$500 million in aggregate principal amount. The SEC found that, in each of these issuances, Hamlin Advisors’s affiliate, a registered investment adviser (“Hamlin Affiliate”), purchased either all or a substantial portion of the offered bonds. In most instances, Hamlin Affiliate also acted as compensated bondholder representative. According to the order, this affiliate relationship created a material conflict of interest which was not timely disclosed to the charter school clients until several days or sometimes weeks after Hamlin Advisors began advising on the structure, timing, and terms of the particular offerings at issue. The SEC found that Braun provided the advice to the clients and was responsible for providing the conflicts disclosure and the agreements for municipal advisory services. The SEC also found that when Hamlin Advisors and Braun did disclose that a material conflict of interest existed because of Hamlin Advisors’s affiliation with Hamlin Affiliate, the disclosure was inadequate because it only disclosed that the firms had certain common ownership and both firms could “receive fees.” It did not disclose that Hamlin Advisors had a financial incentive that was opposed to the interests of the clients, due to its affiliation with the Hamlin Affiliate. Further, the SEC’s order found that Hamlin Advisors’s disclosure was inadequate because it did not adequately describe the nature, implications, and potential consequences of the conflict, and did not disclose how it planned to manage and mitigate the conflict. In addition, the SEC found that, in their advisory agreements with the clients, Hamlin Advisors and Braun did not accurately describe the scope of Hamlin Advisors’s municipal advisory services for the deals at issue. Finally, the SEC’s order found that Hamlin Advisors’s written supervisory procedures were not reasonably designed to achieve compliance with the applicable securities laws and regulations, including the applicable MSRB rules.

Hamlin Advisors and Braun consented to the SEC’s cease-and-desist order censuring them and finding that they violated Section 15B(c)(1) of the Exchange Act by violating MSRB Rules and that they violated MSRB Rules G-17 and G-42, and finding that Hamlin Advisors violated Section 15B(c)(1) of the Exchange Act by violating its fiduciary duty and that it violated MSRB Rule G-44. Hamlin Advisors also agreed to pay a civil penalty of \$200,000 and Braun agreed to pay a civil penalty of \$75,000.

The SEC’s investigation was conducted by Michael J. Adler and was supervised by Peter J. Diskin of the Enforcement Division’s Public Finance Abuse Unit and the SEC’s Atlanta Regional Office.

File No. 3-22274

Last Reviewed or Updated: Oct. 24, 2024

The Case for Modernizing Municipal Bond Disclosure Transparency.

In this second installment of a two-part series, David Dubrow and Kent Hiteshew propose reforms to improve disclosure standards in the municipal bond market, exploring both legislative and regulatory approaches. They outline eight key guidelines for enhancing transparency and consistency in municipal offering statements, aiming to bring these disclosures into the modern era and better protect investors.

Part one recounted the history of how the municipal bond market was exempted from regulation under the Securities Acts adopted in the 1930s and how the SEC, beginning in the 1970s, used its anti-fraud powers over broker-dealers to partially overcome the statutory exemption. Notwithstanding these efforts, municipal bond disclosure remains ungoverned by uniform disclosure standards.

As noted in Part one, the only two major municipal regulation efforts followed significant market failures: the 1975 Amendments and creation of the MSRB following New York City's financial crisis; and, Rule 15c2-12 following the WPPSS default in the 1980s. So, it is particularly noteworthy that there has been virtually no relevant federal legislation enacted or SEC regulations issued in the wake of the far larger investor losses experienced by municipal investors after the historic Detroit and Puerto Rico bankruptcies of the last decade. In fact, with the exception of a single broker-dealer affiliate's closed-end bond funds, there have been virtually no SEC enforcement actions brought against any of the Detroit or Puerto Rico parties. Accordingly, it may be an appropriate time to revisit the unique exemption from uniform disclosure standards of the Securities Acts that continues to plague the municipal bond market.

[Continue reading.](#)

promarket.org

By David Dubrow and Kent Hiteshew

October 23, 2024

Decades of Regulatory Exemptions Have Been to the Detriment of the Municipal Bond Market.

Two municipal market veterans, David Dubrow and Kent Hiteshew, delve into the history and current state of disclosure practices in the municipal bond market, highlighting the flaws in the current system. In a follow up, the authors will explore potential paths to reform and key components of a uniform standard of disclosure for municipal securities.

While consistent with applicable securities laws, the customs and practices for preparing offering statements for tax-free municipal securities are functionally and practically flawed. This reality is to the detriment of the municipal bond market and its investors.

The four trillion dollar United States municipal bond market comprises a dizzying array of

governmental issuer types and credit structures. These range from simple general obligation bonds of state and local governments to revenue bonds issued by government conduits and secured by real estate projects or certain other private enterprises granted access to tax-free debt by the federal tax code. Other than the applicability of the anti-fraud provisions of federal securities laws, however, offering statements for new municipal securities are exempt from uniform disclosure standards. This is distinctly different from corporate securities which are regulated under federal law. Consequently, while disclosure is required to be materially accurate, it is too often not user friendly and negatively affected by motivations of critical market participants. Inconsistent and confusing disclosure contributes to market opacity and illiquidity and prevents investors from being able to properly evaluate the full risks of their potential purchases.

Unregulated municipal disclosure practices can be adversely influenced by a number of factors. Issuers may view their disclosure as a marketing device to promote the sale of their bonds rather than an objective description of the security and its risks. Underwriters may not be sufficiently critical of proposed disclosure for fear of losing future business opportunities with the issuer. Appraisers and market experts hired by issuers or conduit borrowers may produce overly-optimistic reports to satisfy the needs of those that hire them. And lawyers, who draft offering statements, may be overly motivated by protecting themselves from legal liability thereby quoting dense legal documents rather than summarizing such documents in plain English. Overly legalistic document drafting is reinforced by cost pressures and over-reliance on precedent.

[Continue reading.](#)

promarket.org

By David Dubrow and Kent Hiteshew

October 22, 2024

Impact of Shorter T+1 Settlement Cycle on US Markets More Severe than Expected, Citi Survey Finds.

The transition to a shorter settlement cycle for US securities transactions has had a more profound impact than anticipated, according to a recent Citigroup survey.

Implemented in May, the new timeline reduced the settlement period for equities, corporate bonds, and municipal bonds from two business days to one, known as T+1.

While this acceleration was designed to enhance market efficiency, it has introduced unforeseen challenges for global market participants.

Citigroup's [Securities Services Evolution survey](#), conducted in June with nearly 500 institutions, reveals that 44% of buy- and sell-side firms found the shift to T+1 to be "more impactful than expected."

This finding highlights the broader implications of the accelerated settlement cycle on the trading ecosystem.

[Continue reading.](#)

Story by Vatsala Gaur

NFMA Comments on FDTA.

On October 21, 2024, the National Federation of Municipal Analysts submitted comments to the SEC on the proposed rule, FDTA, the Financial Data Transparency Act Joint Data Standards. To read the NFMA's comment letter, [click here](#).

To view the comment letters from other industry stakeholders, go to SEC.gov and/or the Federal Register.

MSRB Advances Important Initiatives at Quarterly Board Meeting.

Washington, D.C. – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) met on October 23-24, 2024, holding the first quarterly meeting of fiscal year 2025 and the first meeting under the direction of Board Chair Warren “Bo” Daniels and Vice Chair Jennie Bennett. The Board discussed its FY2025 regulatory agenda and priorities, key market structure and market transparency initiatives, and other actions necessary to advance its FY 2022-2025 Strategic Plan.

“The progress the Board made during our first quarterly meeting—not only setting our priorities but also taking several key actions—establishes a robust regulatory agenda for the year ahead,” Daniels said. “MSRB’s highest priority is to fulfill our congressional mandate to protect investors, issuers and the public interest by promoting a fair and efficient municipal market, and I am confident this Board will do just that.”

Market Regulation

The Board discussed regulatory matters and acted on several ongoing initiatives including:

- **Rate Card:** Discussed the forthcoming Request for Information (RFI) regarding MSRB’s rate card and fee-setting process to evaluate potential modifications to the model.
- **Rule D-15:** Approved the issuance of a Request for Comment on the definition of sophisticated municipal market professionals (SMMPs).
- **Rule A-12:** Approved filing an amendment with the SEC to enhance the collection of information related to bank dealer associated persons.
- **Rule G-27:** Discussed industry feedback in connection with remote supervisory obligations.

Market Structure

The Board continued its on-going discussion of pre-trade municipal market data. The Board discussed feedback received in a series of meetings with market participants following its initial approval of the publication of a concept release in July and agreed to continue an open dialogue with stakeholders as the concept release is finalized.

Market Transparency

The Board received a live demonstration of a “beta” version of the modernized Electronic Municipal

Market Access (EMMA) website. The modernized EMMA features myriad stakeholder-driven enhancements to the user interface and experience, including a more powerful search engine and the ability to customize user-generated dashboards, among other improvements.

MSRB Leadership Update

Tangie Davis was promoted to serve as the MSRB's Chief of Staff, having served MSRB most recently as Deputy Chief of Products and Services. Tangie has been with MSRB since 2011. In her new role, she reports to MSRB CEO Mark Kim and oversees the organization's information technology services, finance, human resources, and administration functions.

"I am delighted to welcome Tangie to MSRB's senior leadership team," Kim said. "Tangie is a trusted partner who brings deep experience and knowledge of MSRB and our technology operations in particular, and I look forward to working closely with her in her new role."

Date: October 25, 2024

Contact: Aleis Stokes, Chief External Relations Officer
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[GASB Issues Guidance on Disclosure of Certain Capital Assets.](#)

Norwalk, CT, October 17, 2024 — The Governmental Accounting Standards Board (GASB) issued guidance today that establishes requirements for certain types of capital assets to be disclosed separately for purposes of note disclosures.

GASB Statement No. 104, [Disclosure of Certain Capital Assets](#), also establishes requirements for capital assets held for sale and requires additional disclosures for those capital assets.

Recent GASB pronouncements like Statement Nos. 87, *Leases*, 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and 96, *Subscription-Based Information Technology Arrangements*, created certain types of capital assets, which are described as "right-to-use" assets. In light of the recognition of those new types of assets, the Board decided to consider whether existing disclosure requirements for capital assets should be more prescriptive.

Based on input from financial statement users during the research phase of the project, Statement 104 requires certain types of assets be disclosed separately in the note disclosures about capital assets. This is designed to allow users to make informed decisions about these and to evaluate accountability.

Guidance Requires Separate Disclosure of Four Types of Capital Assets

Statement 104 addresses four types of capital assets that would be disclosed separately in the notes:

1. Lease assets reported under Statement 87, by major class of underlying asset
2. Intangible right-to-use assets recognized by an operator under Statement 94, by major class of underlying asset,
3. Subscription assets reported under Statement 96, and
4. Intangible assets other than those listed in items 1-3, by major class of asset.

Capital Assets Held for Sale

Statement 104 establishes requirements for capital assets held for sale. Under the guidance, a capital asset is a capital asset held for sale if: (a) the government has decided to pursue the sale of the asset, and (b) it is probable the sale will be finalized within a year of the financial statement date. A government should disclose the historical cost and accumulated depreciation of capital assets held for sale, by major class of asset.

The requirements of Statement 104 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

GASB Statement 104 is available on the GASB website, www.gasb.org.

MSRB Announces Discussion Topics for Quarterly Board Meeting.

Washington, DC – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) will meet on October 23-24, 2024, holding the first quarterly meeting of fiscal year 2025. The Board will discuss its priorities for the next fiscal year to advance its FY 2022-2025 Strategic Plan. This will be the first meeting under the direction of MSRB's new Board Chair Warren "Bo" Daniels. Highlights of the Board discussion will include:

Rate Card RFI

The Board will discuss issuing a Request for Information (RFI) regarding MSRB's rate card and fee-setting process to evaluate potential modifications to the model.

Market Regulation

The Board will discuss regulatory matters and receive updates on several ongoing initiatives including:

- [Rule D-15](#): Defining a sophisticated municipal market professional (SMMP).
- [Rule A-12](#): Enhancing information related to bank dealer associated persons.
- [Rule G-27](#): Discussing industry feedback in connection with remote supervisory obligations.

Market Transparency and Market Data

The Board will also receive an update on the modernization of the Electronic Municipal Market Access (EMMA) website, including a demonstration of stakeholder-driven updates that will enhance the user interface and experience on EMMA, as well as preview a newly redesigned EMMA website which is scheduled to be launched before the end of 2025.

Date: October 16, 2024

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The Municipal Securities Rulemaking Board (MSRB) protects and strengthens the municipal bond market, enabling access to capital, economic growth, and societal progress in tens of thousands of communities across the country. MSRB fulfills this mission by creating trust in our market through

informed regulation of dealers and municipal advisors that protects investors, issuers and the public interest; building technology systems that power our market and provide transparency for issuers, institutions, and the investing public; and serving as the steward of market data that empowers better decisions and fuels innovation for the future. MSRB is a self-regulatory organization governed by a board of directors that has a majority of public members, in addition to representatives of regulated entities. MSRB is overseen by the Securities and Exchange Commission and Congress.

GASB Requests Input on Infrastructure Assets Proposals.

Norwalk, CT, October 10, 2024 — The Governmental Accounting Standards Board (GASB) has issued a Preliminary Views (PV) for public comment on proposals associated with accounting and financial reporting for infrastructure assets.

The PV, [*Infrastructure Assets*](#), is intended to set forth and seek comments on the Board's current views at a relatively early stage of the project. The objective of the project is to reexamine issues associated with accounting and financial reporting for infrastructure assets and consider improvements to existing guidance. These improvements relate to recognition and measurement, note disclosures, and required supplementary information.

Pre-agenda research showed that financial statement users want better information about the condition of infrastructure assets and how the government is maintaining those assets than what is currently available in financial statements. The PV presents the Board's current thinking on how to provide users with that information.

The Board's Early Views

Under the Board's preliminary views, *infrastructure assets* would be defined as individual assets that may consist of multiple components that are part of a network of long-lived capital assets that are utilized to provide a particular type of public service, that are stationary in nature, and that can be maintained or preserved for a significant number of years. Typical examples include roads, bridges, and tunnels.

The PV proposes to carry forward existing recognition and measurement requirements for infrastructure assets that allow for governments to measure infrastructure using historical cost net of accumulated depreciation unless the government elects to use the modified approach. The document proposes that governments reporting infrastructure assets measured at historical cost net of accumulated depreciation periodically review estimated useful lives and salvage value. The document also proposes that governments separately depreciate each component of an infrastructure asset that is significant to the total cost of the asset if the useful lives of these components are different.

The PV also proposes that governments electing to report infrastructure assets using the modified approach have processes in place to document that the condition of the assets is being preserved at a level established by the government.

The document proposes to remove some of the existing note disclosures related to infrastructure assets. It also proposes to add four new note disclosures, including a disclosure of maintenance or preservation expenses and another disclosure of assets reported using historical cost net of

accumulated depreciation that have exceeded 80 percent of their estimated useful lives. A related schedule of maintenance expenses over the past 10 fiscal years is also proposed to be included in required supplementary information.

Share Your Views

Stakeholders are asked to review and provide input on the document by January 17, 2025. Comments may be submitted either through a comment letter or an [electronic input form](#).

A series of public hearings and user forums on the PV has been scheduled to enable stakeholders to share their views with the Board. Additional information on the public hearings and user forums is available in the document.

[Third Quarter 2024 Municipal Securities Market Summary.](#)

[View the Market Summary.](#)

10/9/24

[The SEC's Recent Off-Channel Communications Settlements Create More Uncertainty: Morgan Lewis](#)

Since December 2021, the US Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC) have been conducting a sweep of Wall Street's "off-channel" communications—such as text messages, iMessages, WhatsApp messages—sent and received by employees of registered entities using their personal devices. Despite more than 80 SEC-settled orders in the off-channel space (and nearly as many with the CFTC), the path to compliance for broker-dealers, investment advisers, and other financial institutions is still far from clear and numerous questions remain.

BACKGROUND

The SEC's sweep first focused on the largest broker-dealers, then quickly expanded in scope. Over the last four years, more than 100 entities have settled off-channel recordkeeping charges, including broker-dealers, dually registered broker-dealer/investment advisers, standalone investment advisers, credit ratings agencies, and municipal advisors.

These firms have been charged with, among other things, violations of the recordkeeping rules promulgated under the Securities Exchange Act of 1934 and the Investment Advisers Act of 1940. [1] Until recently, the settlements have included civil penalties ranging from five to nine figures (with nearly all in the many millions). The vast majority of settling respondents have also been required to retain independent compliance consultants (ICC) for multiyear engagements, a further significant expense. Additionally, in nearly all the settlements to date, the respondents were required to admit to the alleged conduct—typically a rarity in SEC settlements.

[Continue reading.](#)

Morgan, Lewis & Bockius LLP – Michael A. Hacker, Caitlin S. Onomastico, Emily E. Renshaw and Alyse J. Rivett

October 1 2024

[SEC Resolution Spotlights Implications of Self-Reporting and Violations of Firm Communications Policies: Sullivan & Cromwell](#)

[Read the Article.](#)

Sullivan & Cromwell LLP

September 26 2024

[MSRB Publishes FY 2025 Budget.](#)

Washington, D.C. – The Municipal Securities Rulemaking Board (MSRB) today published its annual budget to report on the allocation of its resources as it fulfills its congressional mandate to protect investors, issuers and the public interest by promoting a fair and efficient market. MSRB publishes its budget annually to meet the highest standards of financial transparency.

For FY 2025, the MSRB Board approved a \$48.8 million budget, representing a modest increase of approximately 2.9% over the prior year. The budget provides the necessary funds to modernize the MSRB rulebook, engage in key regulatory initiatives and make strategic investments in technology and data to promote the transparency and efficiency of the \$4 trillion municipal securities market.

Over the past year, MSRB has welcomed the opportunity for increased dialogue with its stakeholders including broker-dealers, municipal advisors, investors, issuers and other market participants through a series of industry town hall meetings focused on its budget. These town halls not only helped to inform and enhance MSRB's budgeting process but also how it communicates its budget and regulatory priorities to the public.

"We have taken to heart stakeholder requests for more clarity around our budget, particularly regarding our investments in technology, which represent our largest expense and approximately half of our annual budget," MSRB Chair Warren "Bo" Daniels and MSRB CEO Mark Kim said in a letter to stakeholders. "We've reorganized our technology functions into more discrete units, which enabled us to provide more relevant budgetary information about these functions."

In 2025, MSRB will celebrate 50 years since Congress established it as a self-regulatory organization for the municipal securities market. It also marks the final year of MSRB's four-year strategic plan to deploy the tools of regulation, technology and data in impactful ways that strengthen the municipal securities market and serve the public interest. Major initiatives for FY 2025 include:

Modernizing EMMA

MSRB will launch a modernized Electronic Municipal Market Access (EMMA®) website beginning

with a beta version in early 2025. This has been a multi-year endeavor driven by extensive feedback from a wide variety of market participants. Stakeholder comments and insights continue to inform MSRB's major technology initiatives, and the beta site will be another opportunity for industry stakeholders to provide feedback on the upcoming version of EMMA.

Modernizing Market Regulation

MSRB will also continue its retrospective rule review and rulebook modernization initiative. This work will include implementing changes to MSRB's trade reporting rule to increase the timeliness of price transparency for investors and harmonizing MSRB's supervisory rule for broker-dealers with those of fellow regulator FINRA in light of changing work patterns. It will also include reviewing MSRB's rules, including its body of municipal advisor rules adopted since the Dodd-Frank Act was enacted nearly 15 years ago, to ensure that they remain operationally effective, allow for varying business models, and maintain appropriate investor and municipal entity protections.

"We hope that the additional detail provided in this report continues to bolster confidence and trust in MSRB's commitment to financial stewardship and stakeholder engagement," Daniels and Kim said. "After all, giving America the confidence to invest in our communities through the municipal securities market remains our vision and highest priority, and together with stakeholders and the public we serve, we look forward to doing just that in 2025 and beyond."

[Read the budget.](#)

Date: October 01, 2024

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ESG Pseudo-Science Gets Brutally Debunked.

Many states have passed legislation to protect their economies and their retirees, requiring that public funds be invested with financial institutions focused solely on financial performance, not environmental, social and governance or "ESG" goals.

ESG activists oppose such laws. They would prefer to steer investments toward favored causes and away from disfavored ones, such as fossil energy producers and gun manufacturers.

When confronted with retirees' rights to have their money managed to maximize returns, not for political causes, the ESG activists have a stock response. They typically cite two studies that supposedly showed increased costs from laws that rule out investing based on ESG concerns.

[Continue reading.](#)

THE HILL

by Paul Fitzpatrick, opinion contributor - 09/24/24

Remarks - California Debt and Investment Advisory Commission: Municipal Debt Essentials Seminar (Responsibilities of Regulated Entities to Municipal Issuers)

Dave A. Sanchez, Director, Office of Municipal Securities
California Debt and Investment Advisory Commission: Municipal Debt Essentials Seminar
Pomona, CA
Sept. 26, 2024

Good morning, everyone:

As is customary, my comments today are provided in my official capacity as Director of the Office of Municipal Securities, but do not necessarily reflect the views of the Commission, the Commissioners, or members of the staff.

I want to start by thanking the California Debt and Investment Advisory Commission (“CDIAC”) for inviting me to speak here today. I also want to thank all the panelists and moderators for their time and effort and to everyone involved with putting together this incredibly important program on municipal debt essentials. I started my public finance career in California and consulted the CDIAC debt primer constantly to learn about how debt offerings work in California. And throughout my career, but especially lately, CDIAC educational offerings have been invaluable to me and other municipal market participants as they address the most timely and meaningful topics in the market. We are lucky to have such a great resource here in California.

I also want to thank all of you for attending this program. As government officers, you play a crucial role in the municipal securities market and are in the unique position of being able to influence the practices of the various professionals that you may choose to hire when issuing bonds. As such, it is also important that you understand the federal protections that exist to help ensure that some of those professionals you may hire fulfill their regulatory duties, including fair dealing and acting in your best interests, particularly when it comes to advising you on big picture decisions such as when and how much to borrow, method of sale and the amount of interest you have to pay on your bonds.

When doing a deal, you may find yourself employing the services of a municipal advisor, various other legal counsel and advisors, and an underwriter. Today, I will be focusing on the duties of municipal advisors but will also touch briefly on the duties of underwriters. For those who may be unfamiliar, a municipal advisor – sometimes imprecisely referred to as a financial advisor – is often engaged by the borrower/issuer (i.e., you) to provide advisory services as to municipal financial products and issuance of municipal securities, and the structuring of such transactions.[1] Currently, there are over 400 registered municipal advisors, ranging from large firms with national coverage to sole proprietorships.[2] An underwriter is typically a firm, or one of a group of firms, that purchase securities from the issuer and then offer them to investors.[3]

1. the Municipal Advisor Rule and Accompanying Protections

Keeping track of the different categories of regulated entities and corresponding regulators can be confusing, so let me start with a brief explanation of who the regulators are and the types of entities that they regulate. Municipal advisors are primarily regulated by the Securities and Exchange Commission (SEC). The SEC also regulates broker-dealers and regulates municipal issuers with respect to disclosure through the operation of the antifraud provisions.[4] In 2010, Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) amended Section

15B of the Securities Exchange Act of 1934 (Exchange Act) to add a new requirement that “municipal advisors” register with the SEC.[5] In 2013, the SEC approved what is known as the Municipal Advisor Rule and it has been effective since 2014.[6] The Municipal Advisor Rule establishes a registration regime for professionals who engage in municipal advisory activities[7] and, among other things, provides that municipal advisors and any person associated with such municipal advisor are deemed to have a fiduciary duty to any municipal entity for whom such municipal advisor acts as a municipal advisor.[8]

The Municipal Securities Rulemaking Board (MSRB) (a self-regulatory organization) was established by Congress in 1975 and charged with a mandate to protect investors, municipal entities, obligated persons, and the public interest.[9] Congress initially authorized the MSRB to regulate the activities of broker-dealers and banks that buy, sell, and underwrite municipal securities.[10] In 2010, Congress expanded the MSRB’s authority to include the regulation of municipal advisors.[11] The MSRB does not regulate municipal entities, including issuers of municipal securities.[12] The MSRB is overseen by Congress and the SEC, and MSRB rules generally must be approved by the SEC before becoming effective.[13] The MSRB does not carry out the enforcement of its rules or conduct compliance examinations.[14] Instead, the SEC and the Financial Industry Regulatory Authority (FINRA) share responsibility for enforcement and compliance examinations.[15]

But back to the Municipal Advisor Rule which, for me, is first and foremost a consumer protection rule, with the consumers being all of you who utilize the services of a municipal advisor. For example, the Municipal Advisor Rule requires any firm that engages in municipal advisory activities to file an initial registration with the SEC to disclose information such as the firm’s direct and indirect ownership, other business activities, and any prior regulatory or criminal actions.[16] Each municipal advisory firm must also file an annual update that includes any changes to any previously filed information.[17] Additionally, the municipal advisory firm must also file a form for each person associated with the firm who is engaged in municipal advisory activities which discloses information on that person’s education and employment history as well as information on any criminal or regulatory actions, investigations, terminations, and customer complaints.[18] These important disclosures are publicly available on the SEC’s EDGAR website,[19] and I encourage all of you to consult that site as you interact with different municipal advisors throughout your business. We continue to see a concerning number of unregistered entities engaging in what appears to be municipal advisory activity[20] and urge you to confirm that any professional providing municipal advisory services to you is properly registered. If you believe someone is not properly registered, please consider submitting a tip on the SEC’s website at <https://www.sec.gov/submit-tip--r-complaint> or reaching out to the Office of Municipal Securities at munis@sec.gov.

Accordingly, you should also be aware of the robust rules in place that municipal advisors must adhere to when providing municipal advisory services to their municipal entity clients. For example, municipal advisors are required to follow certain standards of conduct when engaging with their municipal entity clients.[21] The Exchange Act establishes standards of conduct for municipal advisors engaging in municipal advisory activity.[22] MSRB Rule G-42 also articulates standards of conduct for municipal advisors engaging in municipal advisory activities.[23] When performing municipal advisory activities for a municipal entity client or an obligated person client, a municipal advisor must act in accordance with a duty of care.[24] A municipal advisor acting with a duty of care must, among other things:

- Possess the degree of knowledge and expertise needed to provide a client informed advice;
- Make a reasonable inquiry as to the facts that are relevant to a client’s determination as to whether to proceed with a course of action, such as the issuance of securities;
- Make a reasonable inquiry as to the facts that form the basis for any advice the municipal advisor

- provides to a client; and
- Have a reasonable basis for any advice provided to a client.[25]

Additionally, and very importantly, municipal advisors to a municipal entity client are also subject to a duty of loyalty.[26] The duty of loyalty requires a municipal advisor to deal honestly and with the utmost good faith and act in its municipal client's best interests without regard to the financial or other interests of the municipal advisor.[27]

Municipal advisors are also required to disclose material conflicts of interest to their clients, and those disclosures are some of the most important protections issuers have in evaluating whether their municipal advisor is acting in the client's best interest.[28] Rule G-42 requires a municipal advisor to make a full and fair disclosure, in writing, of all material conflicts of interest and all legal and disciplinary events that are material to a client's evaluation of a municipal advisor or the integrity of its management and advisory personnel.[29] These disclosures must be provided to the municipal client by the municipal advisor prior to or upon engaging in municipal advisory activities for the municipal client or on the municipal client's behalf.[30]

Municipal advisors are also required to document their municipal advisory relationship with their municipal clients in writing, and the documentation must be dated and delivered to the municipal client prior to, upon, or promptly after the municipal client and the municipal advisor establish their municipal advisory relationship.[31] This also helps ensure that both the municipal issuer client and the municipal advisor have clear expectations about the activities to be performed by the municipal advisor.

2. The Municipal Advisor Rule and Key Decisions in the Issuance Process

The protections just discussed apply to all of the advice provided to you by a municipal advisor. But, I wanted to discuss how these protections work in the context of several key points in the issuance process. First, these protections apply to advice given as to whether to proceed with a bond issuance.[32] In many instances, but particularly in the case of a refunding, one of the first decisions you would have to make is whether it is even necessary or advisable to do the deal. Many times, your municipal advisor (as well as other professionals) will have an inherent conflict of interest because they will only get paid if a deal is done, thus giving them an incentive to recommend borrowing. The SEC recently brought an action against a municipal advisor for recommending a borrowing when the municipal entity had sufficient reserves to cash fund a project.[33] In that case the recommendation to borrow was based on an analysis that led to inaccurate conclusions regarding the relative costs of different options.[34] Commentators have also raised question about the economics of taxable advance refundings and tenders that take the place of traditional refundings.[35] Particularly when the idea to borrow money or refund bonds is not your own, your municipal advisor or underwriter should be presenting you with recommendations that are not based on materially inaccurate or incomplete information.[36] This analysis could include items such as a cost analysis of different funding options.

Another major decision you will face is whether to do a competitive or negotiated sale.[37] A competitive sale occurs when multiple underwriters compete by submitting purchase bids consisting of coupons, yields, and the underwriter's discount, with the issuer generally selecting the underwriter with the lowest true cost.[38] By contrast, in a negotiated sale, the issuer selects the underwriter at the outset of the financing, well in advance of the sale of the bonds, usually after an RFP process.[39] Numerous studies[40] suggest that competitive sales are more efficient for the issuer in the majority of transactions. In the last few decades, however, the majority of deals have been negotiated sales.[41] From 2018 through 2022, 46.4% of deals nationwide (representing 26.8% of total par value) were competitive sales.[42] In California, during that same period, the number

was even lower: a mere 12.8% of deals were competitive sales.[43] By contrast, in New York, 84.5% of deals during that period were competitive sales.[44] Given that independent research suggests that competitive sales are more efficient with a lower true interest cost (TIC) for the borrower in the majority of transactions,[45] I am concerned about the number of municipal entities still choosing to do negotiated sales and question whether this may be due to municipal entities not being given enough information to make the best decision for themselves on what method sale to utilize. I am not the only one concerned about this issue; just last year the State of California Treasurer's Office gave a presentation to the California Society of Municipal Finance Officers to offer a "fresh look" at competitive sales.[46]

There are a few possible reasons why negotiated sales remain the dominant method of sale despite evidence that competitive sales may result in interest cost savings for issuers in a large number of cases.

The first is that municipal entities are accustomed to doing negotiated sales and are hesitant to stray from their past, established practice.[47] It is just a matter of habit. However, one recent paper from the Chief Economist of the MSRB affirmed that negotiated offerings tend to trade at higher prices than competitive offerings in the secondary market,[48] which suggests that issuers could get lower interest rates on their debt with a competitive sale, depending on the particular facts and circumstances. Given that, I urge you all to not fall into the trap of choosing one method of sale simply because that is the way things have always been done at the expense of the potential interest savings that could be achieved by evaluating your options each time you go to market. To be clear, there is nothing preventing a municipal entity from continuing to prefer negotiated sales. We recognize that issuers may have policy reasons to prefer a negotiated sale, and negotiated sales may continue to be preferable in certain circumstances.[49]

The second possible reason why negotiated sales remain the dominant method of sale is that municipal advisors are failing to even raise with issuers the possibility of a competitive sale. As I mentioned earlier, municipal advisors who provide advice on the issuance of bonds have a fiduciary duty to their clients. But, given the continued prevalence of negotiated sales,[50] it is important to remind municipal advisors of how that duty is implicated when they are providing advice on the method of sale. Municipal advisors should carefully evaluate the sufficiency of the information they provide to issuers before issuers make a choice about what method of sale to use. A municipal advisor may claim that a deal comes to them where this decision is already made, but a non-binding agreement to do a negotiated sale does not absolve a municipal advisor of its fiduciary duty to explore and present alternatives to you.[51] You may worry that municipal advisors will take advantage of this obligation as an excuse to prepare extra, unnecessary reports and run up costs. But remember that it is you – the issuer – who remains in control of the municipal advisor relationship and the bond issuance process. Our goal is simply to make sure that your municipal advisor fulfills its duties to you in the context of that relationship.

In sum, when I see the continued prevalence of negotiated sales, I ask myself whether the appropriate gatekeepers (i.e., municipal advisors) are fulfilling their responsibilities. None of these responsibilities are new. Dodd-Frank[52] was passed almost 13 years ago, the MSRB Rule G-42 standards of conduct are from 2016, and the Municipal Advisor Rule was adopted 10 years ago.[53] In addition to the two major issues raised above, we will continue to focus on price movement and trading immediately after issuance in negotiated sales and remind municipal advisors and underwriters of their regulatory responsibilities with respect to pricing. This could include comparing the results of negotiated sales not only to other comparable negotiated sales but also to comparable competitive sales. For municipal advisors these responsibilities could also include appropriate responses to oversubscription rates during pricing as well as monitoring post-issuance

sales activity.[54] We are not the only ones monitoring price movement and trading; the Chief Economist of the MSRB recently looked at data from January 2019-December 2021 and found that the median trade spread for offerings that trade in the first 30 days post-issuance is -1 basis points for competitive offerings but 11.4 basis points for negotiated offerings.[55] This could reflect that the negotiated sale resulted in a higher than necessary cost of borrowing for the issuer. We encourage you to remain vigilant against decision inertia, and especially to ask questions of your municipal advisor about the major decisions you will make during the issuance process, and know the protections available under the Municipal Advisor Rule.

Again, thank you again to the staff at CDIAC and our municipal market participants for putting this seminar together and thank you for attending.

Lastly, I invite you to visit OMS's (sec.gov/municipal), MSRB's, and FINRA's websites for regulatory and compliance information and helpful updates. Our website in particular contains a host of information and guidance on the Municipal Advisor Rule, and frequently updates its information for market participants. My hope is that you will consult those resources now and throughout your careers to understand the protections afforded to your municipal entities. Our Office also runs a help line and email inbox which can be found on our website. If you ever have any questions at all, please don't hesitate to call or email our Office.

[1] See 15 U.S.C. 78o-4(e)(4).

[2] See SEC, Information About Registered Municipal Advisors, available at <https://www.sec.gov/about/foiadocsmuniadvisors>. See also MSRB, MSRB-Registered Municipal Advisor Firms and Qualified Representatives and Principals, available at <https://www.msrb.org/Municipal-Advisors>.

[3] See 15 U.S.C. 78c(a)(20); 15 U.S.C. 80b-2(a)(20). See also MSRB, The Underwriting Process, available at <https://www.msrb.org/Underwriting-Process>.

[4] See 15 U.S.C. 77q(a)(1)-(3), 15 U.S.C. 78j(b), and 17 CFR 240.10b-5.

[5] See 15 U.S.C. 78o-4(a)(1)(B).

[6] See Registration of Municipal Advisors, Exchange Act Release No. 70462 (Sept. 20, 2013), 78 FR 67468 (Nov. 12, 2013).

[7] See Registration of Municipal Advisors, Exchange Act Release No. 70462 (Sept. 20, 2013), 78 FR 67468 (Nov. 12, 2013). Pursuant to Rule 15Ba1-1(e) (15 CFR § 240.15Ba1-1(e)), "municipal advisory activities" include, but are not limited to, "[p]roviding advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues").

[8] See 15 U.S.C. 78o-4(c)(1). Exchange Act Section 15B(c)(1) does not provide that municipal advisors are deemed to have a fiduciary duty insofar as their advice is to non-municipal entity obligated person clients. MSRB Rule G-42 establishes the core standards of conduct and duties of municipal advisors when engaging in municipal advisory activities. See MSRB Rule G-42(a)-(e).

[9] See 15 U.S.C. 78o-4(b)(2). See also MSRB, The Role and Jurisdiction of the MSRB, pg. 2, available at <https://www.msrb.org/sites/default/files/2022-09/Role-and-Jurisdiction-of-MSRB.pdf>.

- [10] See 15 U.S.C. 78o-4(b)(2). See also MSRB, The Role and Jurisdiction of the MSRB, pg. 2, available at <https://www.msrb.org/sites/default/files/2022-09/Role-and-Jurisdiction-of-MSRB.pdf>.
- [11] See 15 U.S.C. 78o-4(b)(2). See also MSRB, The Creation of the MSRB, available at <https://www.msrb.org/MSRB-News/Creation-MSRB>.
- [12] See 15 U.S.C. 78o-4(d).
- [13] See 15 U.S.C. 78s(b).
- [14] See 15 U.S.C. 78o-4(b)(4).
- [15] See MSRB, The Role and Jurisdiction of the MSRB, pg. 2, available at <https://www.msrb.org/sites/default/files/2022-09/Role-and-Jurisdiction-of-MSRB.pdf>.
- [16] See SEC, Instructions for the Form MA Series, available at <https://www.sec.gov/files/formmadata.pdf>.
- [17] See SEC, Instructions for the Form MA Series, available at <https://www.sec.gov/files/formmadata.pdf>.
- [18] See SEC, Instructions for the Form MA Series, available at <https://www.sec.gov/files/formmadata.pdf>.
- [19] See SEC, Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system, available at <https://www.sec.gov/edgar/search>.
- [20] See SEC, Unregistered Municipal Advisor Enforcement Actions, available at <https://www.sec.gov/about/divisions-offices/office-municipal-securities/unregistered-municipal-advisor-enforcement-actions>.
- [21] See MSRB Rule G-42.
- [22] See 15 U.S.C. 78o-4(c)(1).
- [23] See MSRB Rule G-42.
- [24] See MSRB Rule G-42(a).
- [25] See e.g., MSRB Rule G-42(a), Supplemental Material .01; MSRB, Municipal Advisors Understanding Standard of Conduct, (April 2016) available at <https://www.msrb.org/sites/default/files/2022-08/MSRB-Rule-G-42-for-Municipal-Advisors.pdf>.
- [26] See e.g., MSRB Rule G-42(a)(ii), Supplemental Material .02; MSRB, Municipal Advisors Understanding Standard of Conduct, (April 2016) available at <https://www.msrb.org/sites/default/files/2022-08/MSRB-Rule-G-42-for-Municipal-Advisors.pdf>.
- [27] See e.g., MSRB Rule G-42(a)(ii), Supplemental Material .02 and .03; MSRB, Municipal Advisors Understanding Standard of Conduct, (April 2016) available at <https://www.msrb.org/sites/default/files/2022-08/MSRB-Rule-G-42-for-Municipal-Advisors.pdf>.
- [28] See e.g., MSRB Rule G-42(b), Supplemental Material .05; MSRB, Municipal Advisors Understanding Standard of Conduct, (April 2016) available at <https://www.msrb.org/sites/default/files/2022-08/MSRB-Rule-G-42-for-Municipal-Advisors.pdf>.

[29] See e.g., MSRB Rule G-42(b), Supplemental Material .05; MSRB, Municipal Advisors Understanding Standard of Conduct, (April 2016) available at <https://www.msrb.org/sites/default/files/2022-08/MSRB-Rule-G-42-for-Municipal-Advisors.pdf>.

[30] See e.g., MSRB Rule G-42(b)-(c), Supplemental Material .05 and .06; MSRB, Municipal Advisors Understanding Standard of Conduct, (April 2016) available at <https://www.msrb.org/sites/default/files/2022-08/MSRB-Rule-G-42-for-Municipal-Advisors.pdf>.

[31] See e.g., MSRB Rule G-42(c), Supplemental Material .06; MSRB, Municipal Advisors Understanding Standard of Conduct, (April 2016) available at <https://www.msrb.org/sites/default/files/2022-08/MSRB-Rule-G-42-for-Municipal-Advisors.pdf>.

[32] See *In the Matter of Fieldman Rolapp & Assoc., Inc., and Anna Sarabian* (settled action), Exchange Act Release. No. 98510 (September 25, 2023). See also MSRB Rule G-42.

[33] See *In the Matter of Fieldman Rolapp & Assoc., Inc., and Anna Sarabian* (settled action), Exchange Act Release. No. 98510 (September 25, 2023).

[34] See *In the Matter of Fieldman Rolapp & Assoc., Inc., and Anna Sarabian* (settled action), Exchange Act Release. No. 98510 (September 25, 2023).

[35] See generally Andrew Kalotay, *Taxable Advance Refundings: A Critical Examination*, 39 J. Tax'n Inv. 49 (2021); Kalotay, Andrew and Luby, Martin, *Savings Lost: The Damage of Taxable Advance Refundings to Taxpayers* (September 28, 2023), available at <https://ssrn.com/abstract=4586951>.

[36] See e.g., MSRB Rule G-42, Supplemental Material .01; MSRB, Municipal Advisors Understanding Standard of Conduct, (April 2016) available at <https://www.msrb.org/sites/default/files/2022-08/MSRB-Rule-G-42-for-Municipal-Advisors.pdf> (setting forth the "reasonable basis" requirement that a municipal advisor must fulfill when making a recommendation to a client).

[37] See 15 U.S.C. 78o-4(c)(1). See also Rule 15Ba1-1(e) (15 CFR § 240.15Ba1-1(e)) which defines "municipal advisory activities" to include "[p]roviding advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues").

[38] See CDIAC, *Understanding Methods of Sale* (October 28, 2016), available at <https://www.treasurer.ca.gov/cdiac/seminars/2016/20161026/day3/2.pdf>.

[39] See CDIAC, *Understanding Methods of Sale* (October 28, 2016), available at <https://www.treasurer.ca.gov/cdiac/seminars/2016/20161026/day3/2.pdf>.

[40] See, e.g., Liu, Gao, *Self-Selection Bias or Decision Inertia? Explaining the Municipal Bond 'Competitive Sale Dilemma'* (March 2018), available at <https://ssrn.com/abstract=3014183>; Cestau, Dario and Green, Richard C. and Hollifield, Burton and Schuerhoff, Norman, *The Cost Burden of Negotiated Sales Restrictions: A Natural Experiment Using Heterogeneous State Laws* (November 2017), available at <https://www.brookings.edu/wp-content/uploads/2017/11/wp363.pdf>; Moldogaziev, Tima and Tatyana Guzman, *Which Bonds Are More Expensive? The Cost Differentials by Debt Issue Purpose and the Method of Sale: An Empirical Analysis* (Fall 2012), available at <https://doi.org/10.1111/j.1540-5850.2012.01013.x>.

[41] See Wu, Simon, *Competitive Bidding for Primary Offerings of Municipal Securities: More Bids,*

Better Pricing for Issuers? (July 2020), available at <https://www.msrb.org/sites/default/files/MSRB-Competitive-Bidding.pdf>; Bergstresser, Daniel and Cohen, Randolph, Competitive Bids and Post-Issuance Price Performance in the Municipal Bond Market (March 2015), available at https://people.brandeis.edu/~dberg/papers/competitive_20150303.pdf (Table 1).

[42] See CSMFO, Competitive vs. Negotiated Methods of Bond Sale: A Fresh Look (Feb. 1, 2023), available at <https://cdn.ymaws.com/csmfo.org/resource/resmgr/conference/presentations/2023/Competitive-vs-Negotiated-Me.pdf>.

[43] See CSMFO, Competitive vs. Negotiated Methods of Bond Sale: A Fresh Look (Feb. 1, 2023), available at <https://cdn.ymaws.com/csmfo.org/resource/resmgr/conference/presentations/2023/Competitive-vs-Negotiated-Me.pdf>.

[44] See CSMFO, Competitive vs. Negotiated Methods of Bond Sale: A Fresh Look (Feb. 1, 2023), available at <https://cdn.ymaws.com/csmfo.org/resource/resmgr/conference/presentations/2023/Competitive-vs-Negotiated-Me.pdf>.

[45] See, e.g., Liu, Gao, Self-Selection Bias or Decision Inertia? Explaining the Municipal Bond ‘Competitive Sale Dilemma’ (March 2018), available at <https://ssrn.com/abstract=3014183>; Cestau, Dario and Green, Richard C. and Hollifield, Burton and Schuerhoff, Norman, The Cost Burden of Negotiated Sales Restrictions: A Natural Experiment Using Heterogeneous State Laws (November 2017), available at <https://www.brookings.edu/wp-content/uploads/2017/11/wp363.pdf>; Moldogaziev, Tima and Tatyana Guzman, Which Bonds Are More Expensive? The Cost Differentials by Debt Issue Purpose and the Method of Sale: An Empirical Analysis (Fall 2012) available at <https://doi.org/10.1111/j.1540-5850.2012.01013.x>.

[46] See Competitive vs. Negotiated Methods of Bond Sale: A Fresh Look (Feb. 1, 2023), available at <https://cdn.ymaws.com/csmfo.org/resource/resmgr/conference/presentations/2023/Competitive-vs-Negotiated-Me.pdf>.

[47] See, e.g., Liu, Gao, Self-Selection Bias or Decision Inertia? Explaining the Municipal Bond ‘Competitive Sale Dilemma’ (March 2018), available at <https://ssrn.com/abstract=3014183>.

[48] See, e.g., Wu, Simon and Ostroy, Nicholas, Primary Offerings of Municipal Securities: Impact of COVID-19 Crisis on Competitive and Negotiated Offerings (October 2022), available at <https://www.msrb.org/sites/default/files/2022-10/Competitive-and-Negotiated-Offerings.pdf>. This study considered data from January 2019-December 2021 which included the disruptive “COVID Period” of March-May 2020.

[49] But see Competitive vs. Negotiated Methods of Bond Sale: A Fresh Look (Feb. 1, 2023), available at <https://cdn.ymaws.com/csmfo.org/resource/resmgr/conference/presentations/2023/Competitive-vs-Negotiated-Me.pdf> (debunking some of the common situations where issuers might believe a negotiated sale is preferable); Cestau, Dario and Green, Richard C. and Hollifield, Burton and Schuerhoff, Norman, The Cost Burden of Negotiated Sales Restrictions: A Natural Experiment Using Heterogeneous State Laws (November 2017), available at <https://www.brookings.edu/wp-content/uploads/2017/11/wp363.pdf>.

[50] See Wu, Simon, Competitive Bidding for Primary Offerings of Municipal Securities: More Bids,

Better Pricing for Issuers? (July 2020), available at <https://www.msrb.org/sites/default/files/MSRB-Competitive-Bidding.pdf>; Bergstresser, Daniel and Cohen, Randolph, Competitive Bids and Post-Issuance Price Performance in the Municipal Bond Market (March 2015), available at https://people.brandeis.edu/~dberg/papers/competitive_20150303.pdf (Table 1).

[51] See generally *Comer Capital Group, LLC and Brandon L. Comer, SEC, Lit. Rel. No. 25945*, Jan. 31, 2024, available at <https://www.sec.gov/enforcement-litigation/litigation-releases/lr-25935> (Comer Capital Group, LLC and Brandon L. Comer consented to entry of a final judgment without admitting or denying the allegations in the SEC's complaint); see also *SEC v. Comer Cap. Group et al*, No. 19-civ-04324 (N.D. Ill.) filed June 27, 2019.

[52] Pub. L. 111-203, 124 Stat. 1376.

[53] See *Registration of Municipal Advisors*, Exchange Act Release No. 70462 (Sept. 20, 2013), 78 FR 67468 (Nov. 12, 2013).

[54] These responsibilities may be agreed to or accepted through a course of conduct. See generally, MSRB, *Considerations for Assessing Written Supervisory Procedures for Municipal Advisory Services (including the Process for New Issue Pricing)*, (November 2022) available at <https://www.msrb.org/sites/default/files/2022-11/MA-Pricing.pdf>. This guidance resource is not a rule, has not been filed with SEC, and has not been approved nor disapproved by the SEC. Regulated entities, examining authorities and others should not interpret this resource as a rule or establishing new or additional obligations for any person. See also MSRB Rule G-42(a), Supplemental Material .01.

[55] See, e.g., Wu, Simon and Ostroy, Nicholas, *Primary Offerings of Municipal Securities: Impact of COVID-19 Crisis on Competitive and Negotiated Offerings* (October 2022), available at <https://www.msrb.org/sites/default/files/2022-10/Competitive-and-Negotiated-Offerings.pdf> (examining data from January 2019–December 2021 which included the disruptive “COVID Period” of March–May 2020). See also MMA, *Municipal Strategist* (June 20, 2024) (comparing secondary trade breaks in competitive sales versus negotiated sales for the years 2018–2024).

[Orrick Summary Guide: Campaign Spending and Activity Rules for School District Employees](#)

Introduction

School district employees and officers must adhere to strict rules regarding any campaign spending and activities, especially in the context of promoting a school district bond measure. The use of public funds and resources for partisan campaigning is heavily regulated to prevent an unfair advantage and to ensure compliance with legal standards.

[View the Summary Guide](#)

September.19.2024

SEC Texting Sweep Hits 12 Muni Advisors.

The Securities and Exchange Commission's crackdown on texting and the use of unauthorized messaging apps continued Tuesday with 12 municipal advisors being charged more than \$1.3 million in combined fines for failures by the firms and their personnel to maintain and preserve certain electronic communications.

The actions included employees at multiple levels of authority — including supervisors — communicating with regard to municipal advisory activities both internally and externally by text messages.

The firms admitted the facts set forth in their respective SEC orders, acknowledged that their conduct violated recordkeeping provisions of the federal securities laws, have begun implementing improvements to their compliance policies and procedures to address the violations, and agreed to pay the following civil penalties:

- Acacia Financial Group Inc., \$52,000
- Caine Mitter and Associates Inc., \$94,000
- cfX Inc., \$42,000
- CSG Advisors Inc., \$40,000
- Kaufman Hall & Associates LLC, together with Ponder & Co., \$324,000
- Montague DeRose & Associates LLC, \$40,000
- PFM Financial Advisors LLC, \$250,000
- Phoenix Advisors LLC, \$40,000
- Public Resources Advisory Group Inc., \$184,000
- Specialized Public Finance Inc., \$250,000
- Zions Public Finance Inc., \$47,000.

"The books and records requirements are critical to facilitating Commission inspections and examinations of municipal advisors and in evaluating a municipal advisor's compliance with the applicable federal securities laws," said Rebecca Olsen, deputy chief of the SEC's Division of Enforcement Public Finance Abuse Unit, in a statement.

"Municipal advisors are encouraged to assess their recordkeeping practices relating to off-channel communications. Firms that believe their practices do not comply with the securities laws are encouraged to self-report to the SEC's Enforcement staff."

As described in the SEC's orders, the firms admitted that, during the relevant periods, they failed to maintain and preserve communications sent and/or received by their personnel relating to municipal advisory activity and that these communications were records required to be maintained and preserved under the federal securities laws.

ThinkAdvisor

By Melanie Waddell

September 17, 2024

US SEC Fines 12 Municipal Advisors for Recordkeeping Violations.

(Reuters) – The U.S. Securities and Exchange Commission on Tuesday fined 12 municipal advisors more than \$1.3 million to settle civil charges that they failed to preserve electronic communications such as text messages.

All 12 firms were charged with violating recordkeeping provisions of the Securities Exchange Act and rules of the Municipal Securities Rulemaking Board, with supervisors responsible for some of the failures, the SEC said.

The largest fines included \$324,000 against Kaufman Hall & Associates, together with Ponder & Co; \$250,000 against PFM Financial Advisors, and \$250,000 against Specialized Public Finance.

By Thomson Reuters

Sep 17, 2024 | 12:01 PM

(Reporting by Jonathan Stempel in New York)

Unregistered Municipal Advisory Activity in Public-Private Partnerships.

Good afternoon everyone. I want to thank The Bond Buyer for organizing this Infrastructure Conference and for inviting me today to talk about some important regulatory safeguards that were put in place a decade ago to help state and local governments make effective infrastructure investments.

But before I begin, I must remind you that my remarks are in my official capacity as Director of the Securities and Exchange Commission's Office of Municipal Securities, but do not necessarily reflect the views of the Commission, the Commissioners, or other members of the staff.

These types of events give me a unique opportunity to speak directly to the municipal securities market about an issue that has framed my tenure with the Commission, first as a staff attorney serving as a principal drafter of the municipal advisor rules and now as the Director of the Office charged with overseeing municipal advisor regulation, namely unregistered entities engaging in municipal advisory activity.[1]

Filling a Gap in the Regulatory Landscape

To begin, I thought I would spend a few moments laying out the municipal advisor regulatory framework.

Until the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act" or "Dodd-Frank"), advisors[2] to municipal entities[3] and obligated persons[4] were largely unregulated and were generally not required to register with the Commission or any other federal, state, or self-regulatory entity with respect to their municipal advisory activity.[5]

Leaving the activities of these advisors generally unchecked, however, led to several cases of market abuses and economic damage to municipal entities and obligated persons.[6] For instance:

- Congress found that a number of municipalities suffered losses from complex derivatives products that were marketed by unregulated financial intermediaries;[7]
- The Commission brought action against a financial institution alleging payments by the financial

- institution to local firms whose principals or employees were friends of public officials in connection with a bond underwriting and interest rate swap agreement;[8] and
- The Commission settled several actions against major financial institutions for their role in a series of complex, wide-ranging bid rigging schemes involving derivatives utilized by municipalities and underlying obligors as reinvestment products.[9]

Dodd-Frank was enacted to generally strengthen oversight of the municipal securities market and to broaden current municipal securities market protections to cover, among other things, previously unregulated market activity.[10] Section 975 amended Section 15B of the Securities Exchange Act of 1934 (“Exchange Act”) creating a new class of regulated person required to register with the Commission: municipal advisors.[11]

Who Are Municipal Advisors?

So, who are municipal advisors? Broadly speaking, municipal advisors assist municipal entities and obligated persons on the terms of bond offerings, investment of bond proceeds, and the structuring and pricing of related products.

A “municipal advisor” is any person (who is not a municipal entity or an employee of a municipal entity) that:

provides advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues; or undertakes a solicitation of a municipal entity or obligated person.[12]

Key here is advice. As you may suspect, “advice” is not subject to a bright-line definition.[13] Instead, the determination of whether a person provides advice to, or on behalf of, a municipal entity or an obligated person regarding municipal advisory activity will depend on all the relevant facts and circumstances.[14] For purposes of the municipal advisor definition, advice includes, without limitation, recommendations that are particularized to the specific needs, objectives, or circumstances of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, based on all the facts and circumstances.[15] Advice excludes, among other things, the provision of general information that does not involve a recommendation regarding municipal financial products or the issuance of municipal securities.[16]

The focus of the advice standard is whether or not, under all of the relevant facts and circumstances, the information presented to a municipal entity or obligated person is sufficiently limited so that it does not involve a recommendation that constitutes advice.[17]

The Exchange Act provides that municipal advisors and any person associated with such municipal advisor has a fiduciary duty to their municipal entity clients, prohibiting municipal advisors from engaging in any act, practice, or course of business that is not consistent with their fiduciary duty.[18] Although the Exchange Act does not provide that municipal advisors are deemed to have a fiduciary duty insofar as their advice is to non-municipal entity obligated person clients, some state fiduciary or agency laws may, depending on the facts and circumstances, apply to municipal advisor engagements with such obligated persons.[19] Municipal advisors do have other obligations to obligated person clients, such as a duty of fair dealing and a duty of care under current Municipal Securities Rulemaking Board (“MSRB”) rules.[20]

Now that I have laid out the regulatory framework, I want to summarize the key takeaways:

First, the Commission applies the term “municipal advisory activities”[21] to a range of activities, including, but not limited to developing financing plans, assisting in evaluating different financing options and structures, and evaluating and negotiating terms.[22]

Second, advice is not subject to a bright-line definition. Advice includes a recommendation regarding municipal financial products or the issuance of municipal securities. The determination of whether a recommendation has been made is an objective inquiry and a key factor that the Commission will consider is whether the recommendation reasonably would be viewed as a suggestion to take action or refrain from taking action.[23]

Third, any person engaging in municipal advisory activity will be considered a municipal advisor and have a fiduciary duty to their municipal entity client, unless an exclusion or exemption applies.

Finally, under federal securities law, a person must register with the Commission and the MSRB prior to engaging in municipal advisory activities. Any person that engages in municipal advisory activity prior to registering with the Commission and the MSRB as a municipal advisor violates Section 15B(a)(1)(B) of the Exchange Act.[24]

Observations on Public-Private Partnerships

The roughly \$4 trillion[25] municipal securities market provides critical support to our nation’s infrastructure. The funds raised by our states and local governments in the municipal securities market have helped remove lead from water pipes; built roads and bridges; modernized hospitals; built clean-energy infrastructure, and so much more to ensure that we have the infrastructure needed to access critical services. But for decades now, observers have noted that tight fiscal conditions and rising costs associated with maintaining and building infrastructure have prevented our states and local governments from investing in infrastructure at the levels needed.[26]

Recently enacted legislation has made funding and incentives available for a broad range of infrastructure development[27] and may also serve as a potential catalyst for the private sector to help in closing infrastructure gaps, including through public-private partnerships (“P3”).[28]

As everyone in the room is aware, leveraging private capital to finance public infrastructure is not a new tool. Much of our nation’s early infrastructure was built through partnerships between the public and private sectors.[29] More recently, P3s have been used as a delivery option for complex highway projects throughout the nation[30] and have been presented as a tool to finance projects in other sectors, such as energy infrastructure, affordable housing, school facilities, and telecom.[31]

Despite their widespread use, there is no universally accepted definition of a P3.[32] P3s are broadly described as any contractual agreement between a public entity and a private entity for the purpose of financing, constructing, operating, managing, and/or maintaining a public asset and related services.[33]

Let’s break that down a bit: P3s are long-term contractual arrangements between a public entity and private entity, where the private entity makes a financing commitment expecting to be repaid with future tax revenue or user fees or similar arrangement. The private entity signing and managing the P3 contract is typically a special purpose vehicle (SPV) created for the purpose of the P3 project and having equity investors.[34]

Pretty straightforward: instead of using public resources that may be limited by budget or debt restrictions, private financing steps in as an alternative to building much needed infrastructure, potentially using the same taxes and fees that the municipal entity or obligated person would have

used to finance the project if it had decided to finance on its own.

Well, there is more to the story. Definitionally, P3s exist on a spectrum as an alternative form of procurement[35] but also on a spectrum as an alternative form of financing. Financing packages come in all types of configurations: equity, debt, or a combination sourced from both public and private sources, including private activity bonds (“PABs”), federal credit assistance, state, or local funding, which may include the issuance of municipal securities.[36]

Compared to more traditional financings of infrastructure – that is, using federal, state, or local funding, which more likely than not includes the issuance of municipal securities – P3s and other non-traditional methodologies that have been developed to deliver and finance infrastructure needs are a bit more complex.

This complexity has brought with it a range of concerns regarding the use of P3s. Public officials and state and local inspector generals and auditors have studied individual transactions and have issued findings identifying key areas of concern. These concerns include transferring too little or too much risk between the public and private sectors; not using the most efficient and lowest cost financing available to the municipal entity or obligated person; and having very costly long-term impacts to fix short-term budgetary issues.

Public entities have also been exposed to all sorts of contingent liabilities, including compensation clauses, non-compete clauses, and availability payment escalation clauses, leading to potential increased financial and political burdens on the public entity. Uncontrollable external events, oftentimes impacting anticipated revenues, have seen public entities having to make the choice to either terminate, suspend, or take full control over a project, even though the risk of such events was supposed to be borne by other parties.[38]

Pathways to Public-Private Partnerships

In light of these potential hurdles, how does a municipal entity or obligated person go about deciding to finance an infrastructure project using a non-traditional form of procurement?

One way would be for municipal entities and obligated persons to rely on individuals and firms – advisors, consultants, banks, engineers, accounting firms, developers, real estate managers, investment specialists, diversified financial services groups – collectively, what I will be referring to as “P3 Consultants” that have positioned themselves as financial, legal, and technical experts on P3s. Individual or groups of P3 Consultants are purportedly capable of providing tailored advice to municipal entities and obligated persons on the entire P3 lifecycle. However, various reports[39] have identified that P3 Consultants have engaged in concerning behavior, including:

- Failure by P3 Consultants to disclose conflicts of interest between the P3 Consultant and subcontractors hired to provide a VfM analysis, leading to the skewing of project costs in favor of a P3 procurement.
- P3 Consultants with no experience in municipal financing, failing to include a public sector comparator as part of the VfM analysis and resultingly being unable to demonstrate that the procurement would be maximizing VfM.
- P3 Consultants advising municipal entities or obligated persons that P3s that only used private debt and equity funding sources would be considered an “off-balance sheet” financing, despite the fact that projects procured with a mix of public and private funding sources would, under accounting standards be required to be includable on the municipal entities balance sheet.[40]

Soliciting a P3 Consultant

In staff's review of P3s in the municipal securities market, one of the first questions that we asked ourselves is how does the process get started – how does a municipal entity or obligated person connect with a P3 Consultant and does that raise any regulatory issues?

Municipal entities and obligated persons often solicit a P3 Consultant through a competitive request for proposal/qualification ("RFP/Q") process, where the municipal entity or obligated person has defined the infrastructure project scope; completed a preliminary VfM, or other process, which compares[41] the costs and benefits of a P3 or other non-traditional procurement method against a traditional procurement method; defined requirements related to construction, operation, and management of the project; and assessed potential financing arrangements. But P3 Consultants may also approach the municipal entity (or obligated person) through an Unsolicited Proposal ("USP") process.[42]

So, how does the RFP/Q process tie back to our municipal advisor regulatory framework?

Well, responses to requests for RFP/Qs alone do not constitute municipal advisory activity.[43] Persons providing a response in writing or orally to a RFP/Q from a municipal entity or obligated person for services in connection with a municipal financial product or the issuance of municipal securities is exempt from the definition of municipal advisor provided that such person does not receive separate direct or indirect compensation for advice provided as part of such response.[44] However, Unsolicited Proposals that broadly seek input on any infrastructure project may not be a process that is consistent with the RFP exemption to the municipal advisor definition.[45]

We have previously spoken about the parameters and level of formality of the RFP/Q process that would be needed to qualify for the RFP exemption.[46] Staff is of the view that the USP process would need to meet the same standards to qualify any responses for the exemption. Municipal entities, obligated persons, or registered municipal advisors acting on their behalf, should apply a similar degree of formality by identifying a particular objective for the USP process. Otherwise, any person responding to a USP would need to consider if the substance of their proposal requires registration as a municipal advisor.

We have seen instances where P3 Consultants are originating an infrastructure project by identifying public asset gaps, proposing project design recommendations, providing project affordability analyses, and/or discussing the viability of a public infrastructure project in general terms. Without including material specifically tailored to the needs, objectives, or circumstances of the municipal entity or obligated person, this may not rise to the level of municipal advisory activity. However, some Unsolicited Proposals have included subjective qualitative and quantitative criteria specially tailored to the municipal entity or obligated person that includes descriptions of proposed business arrangements (i.e., ground lease, management agreements); market studies that support revenue assumptions and financial, economic and social benefits; advice with respect to sizing and structuring of the financing package, which may include consideration or use of municipal securities or municipal financial products; and models allocating risk transfer between the public and private entity. P3 Consultants should be aware that, depending on the facts and circumstances, such submissions could constitute municipal advisory activity.

Regardless of whether a P3 Consultant has been retained through an RFP/Q process or through a USP process, our overarching observation has been that municipal entities and obligated persons seem to rely heavily on the content of the proposals – and the implied expertise – of the P3 Consultant.

The Role of the P3 Consultant

What services do P3 Consultants provide? Well, services run the whole gamut.

We have observed instances where the P3 Consultant analyzes and makes recommendations on the most cost effective and appropriate financing package for the delivery of the project, including:

- Considering various financing alternatives to raise the necessary capital, which may include, without limitation: federal, state, or local funding, including the use of municipal financial products or the issuance of municipal securities; equity and lender commitments; and/or special facility financing; and
- Assisting with the sizing and structuring of the financing package, which may include consideration or use of municipal securities or municipal financial products and participating in the preparation of disclosure documents.

P3 Consultants should be aware that considering various financing alternatives and assisting with the sizing and structuring could constitute municipal advisory activity.

We have seen P3 Consultants be asked to independently, or in collaboration with the staff of the municipal entity or obligated person and other advisors, draft RFP/Qs for the solicitation of financial and/or technical private sector project delivery partners (“Private Sector Partners”). Assisting a municipal entity or obligated person with drafting – or simply drafting – an RFP/Q is municipal advisory activity requiring registration with the Commission, absent an available exclusion or exemption, because the P3 Consultant (or any other entity) could be providing advice with respect to the parameters of such RFP/Q which includes the issuance of municipal securities or the use of municipal financial products.[47]

Takeaways

The SEC’s mission is to protect investors, maintain fair, orderly, and efficient markets, and facilitate capital formation. The Office of Municipal Securities remains dedicated to providing information to the municipal securities market to help persons and entities active in the market comply with the important safeguards that were put in place after the last financial crisis by Congress. The Exchange Act makes it unlawful for any municipal advisor to provide advice to or on behalf of, or to undertake a solicitation of, a municipal entity or obligated person without registering with the Commission.[48]

As you continue your partnerships to help meet the nation’s infrastructure needs, I would like you to remember that addressing the risks that unregistered municipal advisory activity pose to municipal entities and obligated persons is a challenge that requires a whole municipal securities market approach.

P3 Consultants and Private Sector Partners who advise municipal entities or obligated persons on the issuance of municipal securities, the use of municipal financial products, and/or the use of debt financing alternatives that are tailored to the specific needs, objectives, or circumstances of the municipal entity during any stage of the P3 lifecycle should remember that they may be engaging in municipal advisory activity requiring registration as a municipal advisor with the Commission and the MSRB. The relevant timeline for advice to obligated persons is slightly different but still includes advice prior to the issuance of municipal securities until they are no longer outstanding.[49]

For other market participants, engaging persons acting as unregistered municipal advisors may have far-reaching consequences for themselves and others,[50] including eroding public trust, significant financial losses and inefficiencies, and undermining the legitimacy of the P3 process.

More information about the Commission’s regulation of municipal advisors is available at the Office

of Municipal Securities website.[51] The MSRB also provides educational material on various topics related to municipal advisors at its Education Center website that may be helpful to municipal entities, obligated persons, P3 Consultants, and Private Sector Partners and any other market participant seeking additional information.[52]

Thank you again to The Bond Buyer for the invitation to address you today. I look forward to working with all of you toward our shared goal of regulatory compliance in furtherance of protecting the integrity of the municipal securities market.

Dave Sanchez, Director, Office of Municipal Securities
The Bond Buyer Infrastructure Conference
Philadelphia
Sept. 17, 2024

[1] See Dave Sanchez, Director, Office of Municipal Securities, U.S. Securities and Exchange Commission, Closing Remarks – Compliance Conference (Dec. 7, 2023), available at <https://www.sec.gov/newsroom/speeches-statements/sanchez-remarks-compliance-conference-120723>.

[2] See Registration of Municipal Advisors, Exchange Act Release No. 70462 (Sept. 23, 2013), 78 FR 67468, 67472 (Nov. 12, 2013) (“Municipal Advisor Adopting Release”), available at <https://www.govinfo.gov/content/pkg/FR-2013-11-12/pdf/2013-23524.pdf>.

[3] See Exchange Act Section 15B(e)(8) [15 U.S.C. 78o-4(e)(8)] defining “municipal entity.”

[4] See Exchange Act Section 15B(e)(10) [15 U.S.C. 78o-4(e)(10)] defining “obligated person.”

[5] See Municipal Advisor Adopting Release 78 FR at 67472.

[6] Id. at 67475.

[7] Id. at 67475 n.102 (citing S. Rep. No. 111-176, at 38 (2010)).

[8] Id. at 67475 n. 104 and accompanying text.

[9] Id. at 67475 nn. 105-106 and accompanying text.

[10] Id. at 67626.

[11] See Section 975(a)(1)(B) of the Dodd-Frank Act [15 U.S.C. 78o-4(a)(1)(B)].

[12] See Exchange Act Section 15B(e)(4)(A) [15 U.S.C. 78o-4(e)(4)(A)]. The definition of municipal advisor includes financial advisors, guaranteed investment contract brokers, third-party marketers, placement agents, solicitors, finders, and swap advisors that provide municipal advisory services, unless they are statutorily excluded. See 15 U.S.C. 78o-4(e)(4)(B). The statutory definition of municipal advisor excludes a broker, dealer, or municipal securities dealer serving as an underwriter (as defined in section 77b(a)(11) of this title), any investment adviser registered under the Investment Advisers Act of 1940 [15 U.S.C. 80b-1 et seq.], or persons associated with such investment advisers who are providing investment advice, any commodity trading advisor registered

under the Commodity Exchange Act or persons associated with a commodity trading advisor who are providing advice related to swaps, attorneys offering legal advice or providing services that are of a traditional legal nature, or engineers providing engineering advice. See 15 U.S.C. 78o-4(e)(4)(C). The Commission exempts the following persons from the definition of municipal advisor to the extent they are engaging in the specified activities: accountants; public officials and employees; banks; responses to requests for proposals or qualifications; swap dealers; participation by an independent registered municipal advisor; persons that provide advice on certain investment strategies; certain solicitations. See Exchange Act Rule 15Ba1-1(d)(3)(i) through (viii) [17 CFR 240.15Ba1-1(d)(3)(i) through (viii)].

[13] Municipal Advisor Adopting Release, 78 FR at 67479.

[14] Id.

[15] Id. at 67480. See also Exchange Act Rule 15Ba1-1(d)(1)(ii) [17 CFR 240.15Ba1-1(d)(1)(ii)] (advice excludes, among other things, the provision of general information that does not involve a recommendation regarding municipal financial products or the issuance of municipal securities (including with respect to the structure, timing, terms and other similar matters concerning such financial products or issues)).

[16] See Exchange Act Rule 15Ba1-1(d)(1)(ii) [17 CFR 240.15Ba1-1(d)(1)(ii)]. See also Municipal Advisor Adopting Release, 78 FR at 67479-67480 (Commission providing clarifying guidance regarding “advice” only with respect to municipal advisors and solely for purposes of the municipal advisor definition).

[17] See Municipal Advisor Adopting Release, 78 FR at 67480. See generally Answer to Question 1.1 The General Information Exclusion from Advice versus Recommendation from the Registration of Municipal Advisors Frequently Asked Questions (“MA FAQ”), available at <https://www.sec.gov/info/municipal/mun-advisors-faqs>.

[18] See 15 U.S.C. 78o-4(c)(1).

[19] See, e.g., Arthurs Lestrangle & Co., Inc., Exchange Act Release No. 42148, 1999 WL 1038053 at * 4 (Nov. 17, 1999) (financial advisor also a fiduciary under Pennsylvania state law).

[20] See MSRB Rules G-17 (fair dealing) and G-42(a)(i) (duty of care).

[21] See Exchange Act Rule 15Ba1-1(e) [17 CFR 240.15Ba1-1(e)].

[22] See Municipal Advisor Adopting Release, 78 FR at 67472.

[23] Municipal Advisor Adopting Release, 78 FR at 67480 and accompanying note 165 (citing FINRA Notice to Members 01-23 (Mar. 19, 2001), and Notice of Filing of Proposed Rule Change to Adopt FINRA Rules 2090 (Know Your Customer) and 2111 (Suitability) in the Consolidated FINRA Rulebook, Exchange Act Release No. 62718A (Aug. 20, 2010), 75 FR 52562 (Aug. 26, 2010); FINRA Regulatory Notice 11-02 (Know Your Customer and Suitability), Jan. 11, 2011, available at <https://www.finra.org/sites/default/files/NoticeDocument/p122778.pdf>).

[24] See 15 U.S.C. 78o-4(a)(1)(B).

[25] Federal Reserve Board, Financial Accounts of the United States – Z.1, Table L.212 (First Quarter 2024), available at <https://www.federalreserve.gov/releases/z1/20240607/html/l212.htm>.

[26] While the federal government contributes with funding, states and local governments carry most of the burden for maintaining and building infrastructure. See generally U.S. Dep't of the Treasury, Infrastructure Investment in the United States (Nov. 15, 2023), available at <https://home.treasury.gov/news/featured-stories/infrastructure-investment-in-the-united-states>; American Society of Civil Engineers, Failure to Act, Economic Impacts of Status Quo Investment Across Infrastructure Investment Across Infrastructure Systems (2021), available at https://infrastructurereportcard.org/wp-content/uploads/2021/03/FTA_Econ_Impacts_Status_Quo.pdf and Bridging the Gap, Economic Impacts of National Infrastructure Investment, 2024-2043 (2024), available at <https://bridgingthegap.infrastructurereportcard.org/wp-content/uploads/2024/05/202-Bridging-the-Gap-Economic-Study.pdf>.

[27] The Infrastructure Investment and Jobs Act ("IIJA") and the Inflation Reduction Act ("IRA") make funding available for an array of projects. See Infrastructure Investment and Jobs Act, Pub. L. 117-58 (2021) and the Inflation Reduction Act of 2022, Pub. L. 117-169 (2022).

[28] In terms of private sector involvement in infrastructure development, the IIJA, for instance, provides planning grants for jurisdictions seeking to utilize P3 project procurement, requires projects with an estimated total cost of \$750 million or more seeking either Transportation Infrastructure Finance and Innovation Act ("TIFIA") or Railroad Rehabilitation and Improvement Financing ("RRIF") funding to conduct a value-for-money ("VfM") analysis, and increased the federal cap on tax-exempt private activity bonds ("PABs") for highway or surface freight transfer facilities. See e.g., IIJA §§ 71001; 70701; 80403 [23 U.S.C. 611; 23 U.S.C. 601; 26 U.S.C. 142(m)(2)(A)].

[29] See John Forrer, James Edwin Kee, Kathryn E. Newcomer and Eric Boyer, Public Administration Review, Public-Private Partnerships and the Public Accountability Question (May/June 2010), 475-484, available at <https://www.jstor.org/stable/pdf/40606405.pdf>.

[30] See Congressional Budget Office, Report on Public-Private Partnerships for Transportation and Water Infrastructure (Jan. 2020), available at <https://www.cbo.gov/system/files/2020-01/56003-C-O-PPP.pdf> (discussing trends in public-private partnerships for transportation and water utilities); U.S. Dep't of Transp., Report on Highway Public-Private Partnership Concessions in the United States (Dec. 2016), available at https://www.transportation.gov/buildamerica/sites/buildamerica.dot.gov/files/2019-08/p3-toolkit_report_on_highway_p3s_122916.pdf.

[31] See, e.g., N.J. Senate Bill No. 3565 (introduced Feb. 9, 2023) (proposed establishment of the Energy Infrastructure Public-Private Partnership Program); Colo. Senate Bill No. 23-035 (June 2, 2023) (CO housing authority has power to contract with private entities to facilitate P3s for affordable housing projects); Md. Prince George's County Public Schools, First-of-Its-Kind Public-Private Partnership Delivers New Schools for 8K+ Students (Sept. 18, 2023), available at <https://www.pgcps.org/offices/communications-and-community-engagement/newsroom/news/newsroom-archives/20-3-2024/news-release-first-of-its-kind-public-private-partnership-delivers-new-schools-for-8k-students>; Brenton Foundation and Coalition for Local Internet Choice, The Emerging World of Broadband Public-Private Partnerships: A Business Strategy and Legal Guide (May 2017), available at https://www.benton.org/sites/default/files/partnerships_0.pdf; National Science and Technology Council, National Artificial Intelligence Research and Development Strategic Plan May 2023, available at <https://www.whitehouse.gov/wp-content/uploads/2023/05/National-Artificial-Intelligence-Research-and-Development-Strategic-Plan-2023-Update.pdf>.

[32] In 1999, the U.S. General Accounting Office issued a glossary of the most commonly used terms in P3s to facilitate a better understanding of the terms as they are used. See U.S. General

Accounting Office, Public-Private Partnerships, Terms Related to Building and Facility Partnerships (Apr. 1999), available at <https://www.gao.gov/assets/ggd-99-71.pdf>.

[33] See generally National Conference of State Legislatures, Report, Building-Up: How States Utilize Public-Private Partnerships for Social & Vertical Infrastructure (Feb. 16, 2017) (“NCSL Report”), available at [https://www.fhwa.dot.gov/ipd/p3/toolkit/publications/primers/primer_highway_concessions_p3/](https://www.ncsl.org/transportation/building-up-how-states-utilize-public-private-partnerships-for-social-vertical-infrastructure#:~:text=The%20Legislative%20Role%20in%20Public,policy%20is%20the%20next%20step; U.S. Dep’t of Transp., Build America Bureau, Public-Private Partnership Concessions for Highway Projects: A Primer (“DOT Primer”) (for an overview of the various contracting, project delivery and financing arrangements of P3s), available at <a href=).

[34] See generally U.S. Dep’t of Transp., Federal Highway Administration, Guidebook on Financing of Highway Public-Private Partnerships Projects (Dec. 2016) (“DOT Guidebook on Financing”), §2.4, available at https://www.fhwa.dot.gov/ipd/pdfs/p3/p3-toolkit_p3_project_financing_guidebook_122816.pdf.

[35] See, e.g., Dominique Custos & John Reitz, Public-Private Partnerships, 58 Am. J. Comp. L. 555 (2010); NCSL Report; DOT Primer.

[36] See generally DOT Primer; DOT Guidebook on Financing.

[37] See, e.g., Denver International Airport, Great Hall After-Action Report (Aug. 9, 2022), https://www.flydenver.com/app/uploads/2024/06/greathall_AfterActionReport-2.pdf; Office of the Inspector General, City of Chicago, Report of Inspector General’s Findings and Recommendations: An Analysis of the Lease of the City’s Parking Meters (June 2, 2009), <https://igchicago.org/wp-content/uploads/2011/03/Parking-Meter-Report.pdf>; State of Texas, State Auditor’s Office, Audit Report on The Department of Transportation and the Trans-Texas Corridor, Report No. 07-015 (Feb. 2007), available at <https://sao.texas.gov/reports/main/07-015.pdf>.

[38] See generally *supra* note 37. See also Denver International Airport (Great Hall Project), City and County of Denver Auditor, Audit Report Denver International Airport Great Hall Construction (Apr. 20, 2023), available at https://www.flydenver.com/app/uploads/2023/09/greathallconstruction_Auditapril2023-1.pdf; Kevin DeGood, American Progress, When Public-Private Partnerships Fail: A Look at Southern Indiana’s I-69 Project (Feb. 15, 2018), available at <https://www.americanprogress.org/article/public-private-partnerships-fail-look-southern-indianas-69-project/>; Hearing, California Senate Transportation and Housing Committee, Tolls, User Fees, and Public-Private Partnerships: The Future of Transportation Finance in California? (Jan. 17, 2007), available at <https://archive.senate.ca.gov/sites/archive.senate.ca.gov/files/committees/2015-16/stran.senate.ca.gov/sites/stran.senate.ca.gov/files/01-17-07Background.doc>; Texas State Auditor’s Office, An Audit Report on The Department of Transportation’s Purchase of the Camino Colombia Toll Road (June 2, 2006), available at <https://sao.texas.gov/reports/main/06-041.pdf>. Concerns regarding P3s have been raised outside of the United States as well. See, e.g., Office of the Auditor General of Ontario, Annual Report 2014, available at https://www.auditor.on.ca/en/content/annualreports/arreports/en14/2014AR_en_web.pdf; Canadian Centre for Policy Alternatives | Nova Scotia, Many Dangers of Public-Private Partnerships (P3s) in Newfoundland and Labrador (Sept. 2020), available at <https://policyalternatives.ca/sites/default/files/uploads/publications/Nova%20Scotia%20Office/2020/10/HiddendangersofP3s.pdf>.

[39] See generally supra notes 37 and 38.

[40] See generally Governmental Accounting Standards Series, Statement No. 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements (03/20), available at <https://gasb.org/page/ShowPdf?path=GASBS94.pdf&title=GASB%20Statement%20No.%2094,%20Public-Private%20and%20Public-Public%20Partnerships%20and%20Availability%20Payment%20Arrangements>.

[41] See U.S. Dep't of Transp., Federal Highway Administration, Value for Money Assessment for Public-Private Partnerships: A Primer, 2-1, https://www.transportation.gov/buildamerica/sites/buildamerica.dot.gov/files/2019-08/p3_value_for_money_primer_122612.pdf.

[42] A USP process refers to a proposal submitted by an offeror (often a P3 Consultant but can be any private entity) for a P3 project that is not in response to any RFP/Q issued by a municipal entity, obligated person, or municipal advisor on their behalf.

[43] See Municipal Advisor Adopting Release, 78 FR at 67509.

[44] See Exchange Act Rule 15Ba1-1(d)(3)(iv) [17 CFR 240.15Ba1-1(d)(3)(iv)]. See also Municipal Advisor Adopting Release for a discussion on the RFP exemption. Municipal Advisor Adopting Release, 78 FR at 67508-67509.

[45] See generally Answer to Question 2.1 of the MA FAQ.

[46] Id.

[47] See Municipal Advisor Adopting Release, 78 FR at 67509.

[48] See Exchange Act Section 15B(a)(1)(B) [15 U.S.C. 78o-4(a)(1)(B)].

[49] Whether a person that advises clients about conduit financings or other financing options would be required to register as a municipal advisor is dependent on certain facts and circumstances. See Municipal Advisor Adopting Release, 78 FR at 67485. For conduit financings, a person will not be a municipal advisor to an obligated person until (among other things) the obligated person has begun applying to, or negotiating with, a municipal entity to issue conduit bonds on behalf of the obligated person. Id.

[50] As part of its toolbox, the Commission brings enforcement actions against individuals and firms engaging in unregistered municipal advisory activity. A list of unregistered municipal advisor enforcement actions is available at <https://www.sec.gov/about/divisions-offices/office-municipal-securities/unregistered-municipal-advisor-enforcement-actions>.

[51] See U.S. Securities and Exchange Commission, Office of Municipal Securities, available at <https://www.sec.gov/about/divisions-offices/office-municipal-securities>.

[52] See Municipal Securities Rulemaking Board, available at <https://www.msrb.org/>.

SEC Warns Advisors: Play By the Rules.

The Securities and Exchange Commission's Office of Municipal Securities director Dave Sanchez has

a warning for advisors working on municipal market-adjacent deals like public-private partnerships or workforce housing: we're watching you.

Issuers, though not responsible for their municipal advisors, should be proactive in ensuring the firms are playing by the rules, said Sanchez, speaking Tuesday during a regulatory panel at The Bond Buyer's infrastructure conference in Philadelphia.

"Double check you're really playing by the rules; there are a lot of potential pitfalls," he said. The mere consideration of a municipal bond borrowing as any part of project financing requires registration as a municipal advisor. "The rules still apply," he said.

The SEC is set to post formal comments on the topic this week, he said.

The warning comes the same day that the SEC announced charges against 12 municipal advisory firms for failing to maintain and preserve certain electronic communications.

Commenting on the charges, Sanchez said "it will be a continued message from our office over the next few months for issuers to know what a municipal advisors' responsibilities are to them," while adding that it's not an issuer's responsibility to ensure that an MA is qualified.

"But it is important for an issuer to know how they're supposed to be protecting [them] and what they should be looking out for," he said.

On the P3 front, Sanchez said the office has received complaints, many from within the municipal bond community, about advisors not playing by the rules. The workforce housing sector is another area the SEC is keeping an eye on, he said.

"If you're looking at ways to cobble together grants and private activity bonds and you're considering bonds - that is municipal advisory activity, and this is the place where we're seeing a high volume of unregistered activities," he said. Some global P3 experts and accounting firms and others are not registered but are still "engaged in this type of activity," he said.

Leslie Norwood, managing director and associate general counsel of the Securities Industry and Financial Markets Association, who was also on the panel, said some firms "are just ignorant of the rules" while others are knowingly trying to sidestep registration.

"The rule is quite complex and it's an activity-based rule, not a contractual-based rule, and there a lot of different provisions and exemptions for firms to comply with," Norwood said. "Issuers should really be taking a proactive stance that the people they work with should be registered - and if [the firms] say they don't need to be, that should raise a red flag."

The SEC is attuned to other P3-related unlawful activity like recommending issuers take on more expensive debt than needed, conducting a value-for-money analysis that "puts the thumb on the scale for the P3 procurement" and inaccurate statements to governments about risk transfer, Sanchez said.

The SEC is also watching for violations of federal securities laws, particularly when it comes to workforce housing deals, he said.

"Every government issuer has heard this ? pitches where people promise things that are too good to be true and that can be a violation of securities laws," he said. "It's great people are thinking about creative solutions, but don't forget the rules still apply."

By Caitlin Devitt

BY SourceMedia | MUNICIPAL | 09/18/24 02:55 PM EDT

MSRB Receives SEC Approval to Shorten the Timeframe for Trade Reporting to One Minute.

Amendments Include Exceptions for Manual Trades and Firms with Limited Trading Activity

Washington, D.C.- The Municipal Securities Rulemaking Board (MSRB) today received approval from the Securities and Exchange Commission for amendments to MSRB Rule G-14, shortening the time for municipal securities trades to be reported to MSRB. The amendments change the current 15-minute standard to as soon as practicable, but no later than one minute after the time of trade, subject to certain exceptions, including new exceptions for manual trades and firms with limited trading activity.

"Today's approval order represents the culmination of our rulemaking initiative to amend MSRB Rule G-14 to establish a new one-minute standard of trade reporting," MSRB Chair Meredith Hathorn said. "I want to acknowledge the invaluable feedback we received from our stakeholders during the comment period, which resulted in a rule that is not only more fair and equitable but also one that advances the public interest in a more transparent municipal securities market."

MSRB will announce the effective date of the rule change in a future MSRB notice. Manual trades will be subject to a phase-in period to an eventual 5-minute standard over the course of several years.

MSRB initially sought comment from stakeholders on its one-minute trade reporting proposal in August 2022, which resulted in a robust response from market participants. After reviewing the comments, MSRB engaged in additional analysis and extensive engagement with market stakeholders to understand why certain types of voice-brokered, block and other trade types might not currently be readily reportable within one minute, and to understand potential resource or other barriers to meeting a new one-minute timeframe that might exist for some firms, including smaller or less active firms.

"As we strive to enhance transparency in the municipal securities market, it is important to acknowledge the critical roles served by firms of all types and different manners of trading," MSRB Chief Regulatory and Policy Officer Ernesto Lanza said. "The amendments approved today represent a significant modernization of the trade reporting paradigm. They allow investors and other market participants to have access to more contemporaneous prices, while ensuring firms executing manual trades and those with limited trading volumes can continue to effectively serve the diverse range of customers participating in this market."

Trades reported to MSRB's Real-time Transaction Reporting System (RTRS) are made available for free to the public via the Electronic Municipal Market Access (EMMA®) website, providing investors, dealers, municipal advisors and other market participants with the information they need to make informed decisions about the pricing of municipal securities.

[Read the notice.](#)

Date: September 20, 2024

Contact: Aleis Stokes, Chief External Relations Officer
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[Read the publication.](#)

[Ballard Spahr: Proposed Joint Standards for Financial Regulatory Data Under FDTA by SEC and Agencies](#)

Summary

The Financial Data Transparency Act (FDTA), passed as part of the National Defense Authorization Act for fiscal year 2023, aims to enhance the interoperability of financial regulatory data across nine federal agencies, including the U.S. Securities and Exchange Commission (SEC). By December 2024, these agencies are required to develop and implement a set of shared data standards for certain "Collections of Information" reported by financial entities and data collected on behalf of the Financial Stability Oversight Council (FSOC).

The SEC and other agencies recently proposed joint standards, which include common identifiers, principles-based standards for data transmission and structuring, and alignment with the Paperwork Reduction Act of 1995 (PRA). These standards will impact various aspects of the financial and municipal securities markets.

[Continue reading.](#)

Ballard Spahr LLP

by David Atlas & Kimberly Magrini

September 11, 2024

[SIFMA T+1 After Action Report.](#)

On May 28th, the United States securities market moved to an accelerated settlement cycle of one day after trade date (T+1) for equities, corporate bonds, municipal bonds, unit investment trusts, and financial instruments comprised of these security types. After more than three years of rigorous and coordinated activities to plan for — and ultimately implement — a shortened settlement cycle,

the industry is recognizing reduced settlement risk across the U.S. capital markets. Firms are now able to make better use of their capital while promoting financial stability. Ultimately, T+1 has provided the appropriate balance between increasing efficiencies and successfully mitigating risk for the industry.

[View the Report.](#)

Federal Agencies Begin to Implement the Financial Data Transparency Act: Covington

Off To A Slow Start, But Don't Take Your Eyes Off This Space

As directed by Congress in the Financial Data Transparency Act (FDTA or the Act), nine federal financial regulators[1] have proposed standards for making the data they collect “machine-readable,” that is, specially coded so a computer can process it without human intervention.[2] The agencies are further directed to “seek to promote inter-operability” of the data – that is, make it capable of being collated and analyzed across agencies. Once fully implemented, the data standards will affect publicly traded companies, regulated financial institutions and other entities that file reports with or otherwise submit information to the federal financial regulators and, in some cases, self-regulatory organizations. Depending on the standards ultimately chosen, the resulting reporting burden will increase, potentially substantially, for some entities. And, if the SEC’s machine-readable data project is any guide, there will likely be lingering data quality issues.

The Act specifies a timeline for a series of rulemakings over the next two and a half years; affected entities may want to start paying attention now.

The Financial Data Transparency Act

Congress passed the FDTA as part of a much larger defense funding bill in December 2022.[3] The FDTA amends the Financial Stability Act of 2010 (Title I of the Dodd-Frank Act) to improve data collection and use for the Financial Stability Oversight Council by requiring the agencies to jointly adopt data standards. It also amends the organic statutes of the respective agencies, directing them to implement the joint data standards for their own “collections of information.”

Although some agencies, like the SEC, have already begun to require some data they collect to be machine-readable, the Act directs the SEC to vastly expand the universe of such data, including information submitted to the Financial Industry Regulatory Authority and the Municipal Securities Rulemaking Board.

Finally, to the extent an agency has identified “open data assets” – data it collects and makes available to the public – the Act directs each agency to make that information freely downloadable, rendered in human-readable format, and accessible in a form that enables two or more software programs to use the data.

What's in the Current Joint Rulemaking?

The current rulemaking has two components. First, the agencies propose “common identifiers” for commonly used critical data – legal entities, financial instruments, dates, locations, and currency. These are the digital building blocks for identifying relationships in the financial regulatory ecosystem, and, hopefully, risks. Second, the agencies propose four principles to guide the adoption of

any data standard. Those principles are:

- Data should be fully searchable and machine-readable;
- The standard should clearly define the data element and its relationship to other data elements;
- Data should be consistently identified in accordance with its regulatory requirement; and
- The data standard should be non-proprietary or available under an open license.

The joint rulemaking will not create any new reporting requirements. (Indeed, the Act specifies that it does not create any obligation to collect more information than was collected before the Act passed.) However, any entity subject to these requirements will want to pay attention to how the rulemaking develops, as new data standards will likely change how such entities collect and report data to their regulators.

Once the proposal is published in the Federal Register, a 60-day comment period will commence. Congress directed the agencies to complete this stage of the rulemaking by December 2024.

What Happens After This Rulemaking?

Once the nine agencies settle on joint data standards, each agency is directed to “incorporate, and ensure compatibility with (to the extent feasible)” the joint data standards for the information it collects under its regulatory regime. The Act gives agencies some flexibility to tailor their own rules to scale them for smaller entities and minimize disruptive changes.

These agency-specific rules must take effect within two years of the joint agency standards being finalized. This two-year period will require entities that submit information to financial regulators to monitor the rulemakings, participate as appropriate, and begin the process of evaluating and modifying their reporting systems as necessary.

If you have any questions concerning the material discussed in this client alert, please contact members of our Financial Services and Securities and Capital Markets Groups.

[1] The nine agencies are: Commodity Futures Trading Commission, Office of the Comptroller of the Currency, Consumer Financial Protection Bureau, Federal Deposit Insurance Corporation, Federal Housing Finance Agency, Board of Governors of the Federal Reserve System, National Credit Union Administration, Securities and Exchange Commission, and Department of the Treasury.

[2] Financial Data Transparency Act Joint Data Standards, 89 Fed. Reg. 67890 (Aug. 22, 2024). 2024-18415.pdf (govinfo.gov)

[3] Pub. L. No. 117-263, 136 Stat. 3421 (2022).

Covington & Burling LLP - Bruce Bennett

August 26, 2024

MSRB Analysis of Primary vs. Recently Issued and Competitive vs. Negotiated Municipal Securities Markets.

[View the MSRB Publication.](#)

Aug, 2024

Faster US Settlement Hit Harder Than Expected, Citi Survey Says.

NEW YORK (Reuters) -A shift to shorter settlement for U.S. securities transactions earlier this year had a greater-than-anticipated impact on market participants across the board, with Europe reporting the greatest hit, a Citigroup survey showed.

The United States sped up its settlement cycle in May, requiring that equities, corporate and municipal bonds and other securities transactions settle one business day after the trade, instead of two, or T+1.

The transition “was more impactful than expected” for 44% of buy- and sell-side firms, the Securities Services Evolution survey said.

Europe saw the most impact because of the challenges of managing settlement and funding issues in the middle of the night, it added. Overseas investors use currency trades to fund their U.S. securities transactions.

The poll of nearly 500 institutions, conducted in June, gives an insight into how the industry managed the transition globally, and highlights how T+1 was felt across the trade cycle.

“Every area appears to have been more impacted than originally anticipated, from funding to headcounts, securities lending and fail rates,” the survey said.

Securities lending, the loan of stocks or other securities to investors, saw the greatest impact across organizations, rising to 50% from 33%. Funding or margin requirements, headcounts and funding costs were also affected.

“Funding has also been at the center of this impact — albeit with an imbalance across the sell-side and buy-sides,” the survey stated.

Some 56% of sell-side firms said their securities lending and recalls activities were “significantly impacted” by the move. That had been one of the major concerns voiced by market participants ahead of T+1 being implemented.

Additionally, 52% of banks and brokers saw their headcounts and staffing levels affected, indicating that a preference for hiring instead of using automation has left the sell-side “exposed to large volumes of manual processing and exception handling triggered by their clients,” the survey stated.

Citi said more time is needed before the “true, deeper” impact of the accelerated settlement cycle is understood.

The Depository Trust and Clearing Corporation, the Securities Industry and Financial Markets Association and the Investment Company Institute led the move to T+1. DTCC and Sifma did not

immediately respond to a request for comment.

An ICI spokesperson said that daily margin requirements decreased by nearly \$4 billion in the immediate aftermath of T+1, which over a year “adds up to almost a trillion dollars that managers can put to use elsewhere, which represents a huge win for investors.”

Reuters

By Laura Matthews

Sep 4, 2024

(Reporting by Laura Matthews in New York; Editing by Alison Williams and Mark Porter)

Institutional Investors Pay Half Price of Retail Buyers in Muni Trades.

- **Smaller trades, a proxy for retail, paid average spread of \$10**
- **Retail buyers rely heavily on the secondary market: report**

Retail investors, who hold the largest share of municipal bonds, pay roughly twice the spread that major institutional investors pay when trading recently issued debt.

The Municipal Securities Rulemaking Board measured the spread between prices on deals in the primary market and recent trades in the secondary market. Results showed trades of \$100,000 or less, a proxy for retail buyers, paid an average spread of about \$10, while trades of \$1 million or more paid a spread of \$4.42, according to a report published Monday. Institutional investors include major Wall Street firms, insurance companies, regional banks and foreign buyers, among others.

Retail buyers adding bonds to their portfolios rely heavily on the secondary market, where a flurry of trading occurs in the weeks following a new issue before trades tend to drop off. The price an investor secures can dictate the yield they receive for decades.

The report found only 8% of par purchased through large trades occurred in the secondary market, while the share for smaller transactions was closer to half. Researchers used data over a five-year period spanning 2019 to 2023, and measured spreads on purchases that took place in the first seven days of secondary trading.

Spreads varied year to year and were considerably different between competitive and negotiated deals. For competitive deals, the average spread was \$4.16, and the spread on negotiated deals was \$11.30.

“We don’t think this means issuers should flock to the competitive market,” said John Bagley, chief market structure officer at the MSRB and one of the authors of the report. In general, competitive deals tend to come from larger, more well-known issuers.

Investors placing larger orders are able to command more attractive prices, narrowing the profit underwriters make bringing bonds to market. In competitive deals, the average spread on large deals was only 27 cents, and in 2022 and 2023 when rates were rising, the spread was negative.

“If you bought a competitive deal and you didn’t sell it right away, and rates went against you, you likely had to cheapen up the deal to get it sold,” Bagley said.

Bloomberg Markets

By Nic Querolo

August 26, 2024

— *With assistance from Amanda Albright*

Hawkins: The Regulatory Impact of Jarkesy, Loper Bright, and Corner Post

Introduction

This Hawkins Update reviews three recent Supreme Court decisions – *Jarkesy*, *Loper Bright*, and *Corner Post*.^[1] Although these decisions are likely to substantially affect the rulemaking and enforcement activities of federal administrative agencies generally (including the Department of the Treasury and the Internal Revenue Service), we discuss the cases more specifically with respect to certain potential impacts on the Securities and Exchange Commission (the “SEC”).

No Civil Penalties in Administrative Proceedings

In *Jarkesy*, the Supreme Court considered the manner in which the SEC brings enforcement actions and, more specifically, whether the Seventh Amendment entitles a defendant to a jury trial when the SEC seeks civil penalties for securities fraud.

In 2011, the SEC commenced an enforcement action against Jarkesy and his investment advisory firm, Patriot28, LLC (“Patriot28”). The SEC alleged that Jarkesy and Patriot28 misled investors in connection with the launch and management of two investment funds by: (i) misrepresenting the funds’ investment strategies; (ii) hiding the identity of the funds’ auditor and prime broker; and (iii) inflating the funds’ claimed value to generate larger management fees. In initiating the enforcement action, the SEC alleged that these actions violated the antifraud provisions of the Securities Act, the Securities Exchange Act, and the Investment Advisers Act. The SEC sought remedies that included civil penalties. The SEC adjudicated the matter in-house, found that Jarkesy and his firm had committed securities violations, and levied a civil penalty of \$300,000. Jarkesy and Patriot28 appealed.

[Continue reading.](#)

by Brian Garzione & Kenneth Roberts

08.22.2024

Hawkins Delafield & Wood LLP

Profiting From Financings for Charter Schools: SEC Sues Unregistered, Fee-Splitting Municipal Advisor - Norris McLaughlin

The public education system in the United States has experienced a series of fits and starts since the time of the American Revolution. Although many of the Founders (think Adams, Jefferson, and

Madison, for example) were staunch advocates for education, believing that a democratic government requires citizens who are not only literate, but who can understand and assess matters confronting a government “by the People,” and support intelligent efforts to resolve problems. That said, there was no national consistency in the availability of schooling, with some communities and/or churches (particularly in New England) offering education to America’s young people, funded mainly by the families of those attending classes. The U.S. Constitution lacks any provision mandating education, so the question of government sponsorship for schools remains to this day primarily a state law issue. By the 1830s, American states began to address public education, including requiring some minimum years of school attendance paid for by taxes imposed on residents.

Public education was seen as particularly important in aiding the assimilation of successive waves of immigrants from the 1850s and again at the turn of the century, education being especially important for improving the language skills of newcomers. Building on those experiences and the legal acceptance of public unionism for teachers, America’s public schools were seen by many as hampered by conventional thinking, especially in a world confronting the risks of thermo-nuclear war and competition with the Soviet Union. The creation of Advanced Placement courses was a response to those perceived threats. Another was the beginning of a movement, once again in New England and led this time by Ray Budde, to create local schools by contract, or charter, among a group of teachers and a municipality. The expectation was that the resulting schools would be more experimental and progressive. This notion of an “innovative institution” harkened back to educational developments in Ireland in the 1700s, sponsored by the Catholic Church, but not just religious schools.

In America the so-called “Charter School Movement” grew slowly until the late 1980s, when the idea was embraced by Albert Shanker, President of the American Federation of Teachers, who saw an opportunity both to expand the scope and style of schools and to create more jobs for teachers. The first charter school law was passed in the typically progressive State of Minnesota in 1991, followed by New Jersey and Delaware in 1995 and Pennsylvania in 1997. According to one national report, as of 2015 there were over 6700 charter schools in America, enrolling almost 3 million students. Charter schools are publicly funded, but operate independently from local school districts. Funding for their operations depends upon the particulars of state law where the school is located; frequently such schools must first obtain some form of licensure from the state (or a state or local education body), and then function pursuant to a contract with that entity. This arrangement allows charter schools to raise funds by issuing municipal securities, much like a public school, although some of the risks of repayment and the scope of disclosure required vary materially from those in regular public school financings.

As depicted in the 2024 case of the *Securities and Exchange Commission v. Choice Advisors, LLC and Matthias O’Meara*, U.S. District Court for the Southern District of California, Case No.3:21 CV-1669-JO-MSB (“*Choice Advisors*”):

[Two charter schools] retained Defendants to assist them in the process of issuing municipal bonds so that they could raise money to build new school facilities. ... As first-time issuers of municipal bonds, these schools sought Defendants’ help in structuring a deal with a bank underwriter to raise the funds at the lowest cost possible... To facilitate the municipal bond offering the borrower selects a bank underwriter to market and sell the bonds to investors. ... The borrower negotiates the terms of the municipal bond offering with the underwriter, which typically involves the school paying a “fee,” “spread”, or “discount” – usually a percentage of the total value of the bond issued – to its bank underwriter in exchange for the bank purchasing the school’s bond and

“lending” the school money. ... After purchasing the bonds from the school, bank underwriters resell these bonds to third-party investors for a profit. ... This financing structure essentially enables the school to “borrow” the money needed for building projects or operations by issuing bonds that the schools ultimately repay with interest.

As explained at length in my Sept. 22, 2020 Blog [“SEC Focus on Municipal Securities,”](#) the regulation of disclosure in the area of municipal securities is (to use my word) “peculiar.” Congress, in an attempt to better deal with some of those “peculiarities,” in 1975 amended the Securities Exchange Act of 1934 to create a new body, the Municipal Securities Rulemaking Board (“MSRB”), to strengthen the regulation of the structure of the municipal securities market and of the participants in that market. The MSRB is subject to SEC oversight. Then in 2010, in the Dodd-Frank Wall Street Reform and Consumer Protection Act, Congress expanded the scope of the MSRB to require registration of municipal securities advisors. As the Court said in *Choice Advisors*:

The municipal advisor’s role in ...complex financial transactions [like the ones described in *Choice Advisors*] is to act as the school’s “skilled representative in the bond offering transaction” and help it negotiate favorable financial terms in the school’s best interest.

I wrote about the role of municipal securities advisors in my Sept. 29, 2020 Blog [“What if the Advice is Suspect?”](#) In *Choice Advisors*, the Court was presented with a classic case of abuses of that role. In that case, the investigation of these abuses was conducted by a special part of the SEC’s Division of Enforcement, the Public Finance Abuse Unit. As I explained in my June 27, 2022 Blog [“Serving the Public,”](#) the Public Finance Abuse Unit was created in 2010 to provide a more systematic and unified approach to dealing with the increasing incidence of significant neglect of professional obligations and downright fraud in the municipal securities market.

The “bank underwriter” involved in *Choice Advisors* was BB&T, originally named Branch Bank & Trust, founded in 1872 by Alpheus Branch. Over the years, it grew from its North Carolina roots to become, by 2018, a major regional bank with operations all across the country. Two key employees in BB&T’s investment banking subsidiary were Matthias O’Meara of Denver, Colorado, and Paula Permenter of Houston, Texas. In 2019, BB&T merged with SunTrust Bank of Florida to form Truist, the 9th largest American bank, with assets of \$514 billion. According to the *Choice Advisors* Court, “O’Meara worked as an underwriter at investment bank BB&T” ... “[b]efore becoming a municipal advisor for schools and school districts.” Because O’Meara was fundamentally a salesman for the underwriting services of BB&T, he “became acquainted with various schools” including future *Choice Advisors* clients Bella Mente of Vista, California, and Liberty Tree of Colorado Springs, Colorado. Sometime in January or February 2018, “O’Meara and another BB&T employee, Paula Permenter, decided to leave their jobs at BB&T to start” *Choice Advisors*. On May 1, 2018, O’Meara resigned from BB&T, giving two weeks’ notice. Permenter followed suit.

During the two-week notice period, O’Meara negotiated a deal with BB&T concerning Bella Mente and Liberty Tree, as well as three other California schools identified by O’Meara (so long as the schools selected BB&T as their respective underwriter). The deal was to split the 2% underwriter fee with BB&T: BB&T to get $\frac{3}{4}$ of the fee, and O’Meara’s firm to be formed, *Choice Advisors, LLC*, to get $\frac{1}{4}$ of the fee. For example, the \$20 fee on a \$1 million bond would be divided \$15 to BB&T, and \$5 to *Choice Advisors, LLC*, registered with the SEC as an investment advisor on Aug. 27, 2018, and registered with the MSRB as a municipal securities advisor on Oct. 16, 2018. On May 8, 2018, O’Meara sent Bella Mente an engagement letter to serve as its municipal securities advisor. However, the letter failed to disclose to the school that i) he was still employed by BB&T; and ii) the

fee splitting agreement, including the fact that it might pose a conflict of interest for Choice. Similarly, on May 14, 2018, O'Meara's second to last day with BB&T, he sent a parallel engagement letter to Liberty Tree. Both letters stated that:

[There existed] no known actual or potential material conflicts that might impair [Choice's] ability to render unbiased or competent advice or fulfill its fiduciary duty... And there are "no Other Engagements or Relationships Impairing [Choice's] Ability to Provide Advice.

In addition, the Defendants **completed** the two bond offerings "on the schools' behalf" and received payment for their services **before** they were registered. Choice was paid \$157,000 by Bella Mente (on July 11, 2018) and \$53, 437.50 by Liberty Tree (on Sept. 21, 2018). Given these facts, the SEC sued Choice on the following grounds:

1. Performing municipal advisory service without being registered;
2. Agreeing to split fees with BB&T;
3. "Deceptively operating in a dual capacity" as both a BB&T underwriter and a municipal securities advisor; and
4. Failing to disclose material conflicts of interest.

It should be emphasized that the two principals of Choice were experienced participants in financial transactions, including the municipal securities market. O'Meara earned a B.A. in finance from the University of Notre Dame and holds a Series 50 municipal advisor license. Permenter, with her B.A.A. from the University of Houston and M.B.A. from the University of St. Thomas, worked for over 20 years in finance, holding a Series 7, 66, 79 and 53 before starting Choice, where she, like O'Meara, holds a Series 50 license. Yet they acted as though either asleep or engaged in fraudulent concealment. It is no wonder that the SEC charged them and Choice with breaching their fiduciary duties to the schools and entering illegal arrangements without even being appropriately registered. Most particularly, the SEC charged the Defendants with violating MSRB Rule G-42, and to the extent they dealt unfairly with their clients and engaged in deceptive practices, violating Rule G-17.

The Court, in an April 22, 2024 decision in *Choice Advisors*, granted Summary Judgment to the SEC for failing to timely register with the SEC and with the MSRB, which in turn was the basis for granting Summary Judgment for committing acts in violation of MSRB Rules. Defendants argued that fee splitting was not prohibited because the terms were agreed to before payment, so the 25% payable to Choice was paid directly and not "split" after receipt by BB&T. The Court, however, granted Summary Judgment against the Defendants on this count, as well as for breach of fiduciary duty, including failure to disclose potential conflicts of interest and the lack of required registration. The Court did not grant Summary Judgment concerning the alleged concealment of the dual employment and fee splitting only because Defendants claimed the schools knew of the Choice arrangements, but reserved for further proceedings on this issue. Finally, Summary Judgment was granted against the Defendants for engaging in "Deceptive, Dishonest, or Unfair Practices" in violation of MSRB Rule G-17.

The Court set Aug. 7, 2024, for the SEC to submit its proposal for the Court order imposing sanctions on Defendants, whose objections were due Aug. 16. Were the two Charter Schools injured by Choice? One cannot be certain, but the appearances suggest that Choice and its principals were in this only for personal profit, and not with any concern about the educational exigencies that make Charter Schools an attractive alternative for parents concerned about the quality of education for their children.

Monday, August 26, 2024

[Proposed Rule Change Consisting of Amendments to MSRB Rule G-14 and to Amend FINRA Rule 6730: SIFMA Comment Letter](#)

Summary

SIFMA and SIFMA AMG provided comments to the U.S. Securities and Exchange Commission (SEC) and reiterated comments made in their previous letters, the Commission, FINRA, and the MSRB should reconsider if a one-minute trade reporting requirement is appropriate for fixed-income markets in the first place. If a decision is made to proceed with this proposal, then FINRA and the MSRB should allow for an appropriate implementation period (e.g., two years) and:

- Include a broad exception for manual trades;
- Examine impacts to liquidity, depth, concentration, and transparency prior to decreasing reporting times to shorter intervals to ensure markets are not harmed;
- Provide relief for certain electronic trades where system processing limitations prevent ne-minute reporting, including post-trade allocations; and
- Implement the proposed de minimis exception.

[Read the SIFMA Comment Letter.](#)

[GASB Chair: SEC's Financial Data Transparency Rule Aligns with Expectations, but Raises Industry Concerns](#)

Governmental Accounting Standards Board (GASB) Chair Joel Black told trustees on August 13, 2024, that the SEC's proposed rule on financial data transparency was largely in line with expectations, but has sparked concerns in the municipal securities industry over the fate of financial securities identifiers.

The SEC's proposal, issued last week, aims to improve transparency and accountability in government financial data, but has already drawn attention for its impact on the industry. Black said the proposal was as largely expected, but noted that the industry is likely to push back on the use of bond identifiers.

The surprise in the rule is the elimination of QSIPs (Qualified Statistical Information Providers) in reporting to the Municipal Securities Rulemaking Board (MSRB), Black said. "That I think is going to have a lot of the municipal securities world in somewhat of a reactive phase."

The proposed SEC rule is part of the Federal Data Transparency Act (FDTA), which seeks to standardize government financial reporting. While the GASB has been monitoring the rule-making process, Black said the industry is still digesting the implications of the proposal.

"They stayed pretty broad and so I think the impact on us and what ultimately may come to the municipal securities environment from the SEC specifically when they do their more specific rule

making say two years from now hasn't been impinged upon," said Black. "So I think that we haven't been impacted yet," he said. "That more future rule-making will probably be much more impactful."

Black's remarks were response to a question from FAF Trustee Beth Pierce, who inquired about the SEC's proposal and its potential impact on the GASB's work. She noted that the FDITA was frequently raised in the past by the GASB, which has been working on a taxonomy to make financial information filed with financial regulators standardized for digital use.

The FDITA was passed in 2022 to make it easier for agencies to share and analyze data, and for the public to access and understand government financial information. To achieve this, the law requires federal agencies to adopt standardized data formats and identifiers for reporting financial information.

The implementation of the FDITA is being carried out through a phased approach, with different agencies and stakeholders playing a role in its implementation. The SEC is one of the key agencies involved in implementing the FDITA, and its proposed rule on financial data transparency is part of this effort.

Specifically, the SEC's proposal aims to make it easier for agencies to share and analyze data, and businesses will need to align their reporting practices with the new standards. (See [SEC Issues Joint Proposal Under Financial Data Transparency Act](#) in the August 6, 2024, edition of Accounting & Compliance Alert.)

Thomson Reuters

Denise Lugo Editor, Accounting and Compliance Alert

August 14, 2024

[Orrick: FINRA Fines Firm for Bond Markups and Failure to Comply with Fair Pricing Regulations](#)

On July 26, a financial firm accepted a [Letter of Acceptance, Waiver, and Consent](#) (AWC) from FINRA for allegedly charging unfair prices in corporate and municipal bond transactions and for allegedly failing to establish a supervisory system to comply with fair pricing rules. According to the AWC, between April 2020 and June 2023, the firm was found to have charged unfair prices on 98 bond transactions, resulting in customers paying over \$112,000 in excess costs in violation of FINRA Rules 2121 and 2010 and Municipal Securities Rulemaking Board (MSRB) Rules G-30 and G-17. For example, the AWC alleged that the firm sold 250 bonds with a 1.714 percent mark-up that used an incorrect prevailing market price, which resulted in a customer paying \$695 more than if the firm had used the correct prevailing market price. These failures allegedly violated FINRA Rules 3110 and 2010 and MSRB Rule G-27.

Under the AWC, the firm agreed to pay a \$125,000 fine, including \$110,000 for violations of MSRB rules. The firm will also provide restitution to affected customers of \$112,932.02 and must implement a supervisory system that complies with fair pricing regulations.

Orrick, Herrington & Sutcliffe LLP

August 6, 2024

Arizona Supreme Court Holds Agreement Violates Gift Clause: What *Gilmore v. Gallego* Teaches Us About Multi-Party Service Contracts Between Public and Private Parties

Economic incentive agreements are tools used by city, county, and state actors to facilitate public goals with the help of private actors. States that provide incentives to developers to promote economic growth have a comparative advantage over other states. In Arizona, these transactions are tested by the Constitution's Gift Clause that essentially asks: (1) does the transaction serve a real public purpose; and (2) does the public party get something in return for what it gives to the private party to incentivize the deal?

The Arizona Supreme Court has issued several recent decisions that define the parameters of the Gift Clause. In *Gilmore v. Gallego*, the Arizona Supreme Court considered a deal struck between the City of Phoenix (City) and a Labor Union regarding "release time" provisions in a Collective Bargaining Agreement that allowed police officers to work for the union while on paid time for the City. The Court concluded that the arrangement violated the Gift Clause.¹ In doing so, the Court provided valuable lessons regarding the scope of a Gift Clause analysis, especially when there are more than two (direct or indirect) parties to the transaction.

Facts of the Case. In 2019, the City and the American Federation of State, County, and Municipal Employees, (AFSCME), Local 2384 (Union) entered into a memorandum of understanding (MOU) regarding "release time" provisions.² Release time provisions generally fund the use of City employees to be "released from their normal job duties" for other purposes.³ The release time provisions were specifically excluded from the members' compensation package.⁴

The MOU provided for (a) four full-time release employees, (b) banks of release hours for union members to engage in "union activities," and (c) a fund to reimburse the Union for member attendance at various trainings and conferences.⁵ The full-time release employees are authorized to spend time on a variety of Union tasks, including activities like Union recruitment.⁶ Under the MOU, release employees are also required to participate in various City task forces and committees, but "because serving on these committees takes time away from the expected Union tasks" the MOU provides additional banked hours to compensate for these commitments.⁷ The MOU also authorizes stewards to represent employees in grievance proceedings.⁸ Although the "City ordinarily controls and supervises employee activities, it does not control or supervise how released employees spend their time and released employees do not report their activities to the City."⁹

[Continue reading.](#)

Snell & Wilmer LLP – Nicholas J. Wood, Joyce K. Wright , Brett W. Johnson and Tracy A. Olson

August 5 2024

CUSIP Returns Fire Over Plan to Use FIGI as Identifier.

The Federal Deposit Insurance Corporation board shocked the municipal bond market on Tuesday with a proposal that would switch out CUSIP numbers with Financial Instrument Global Identifiers, a marker based on standards developed by Bloomberg.

"It was an opaque process, but we did hear of efforts behind closed doors to expand the scope of FDTA to include security-level identifiers, even though they are not mentioned once in the actual text," said Matthew Bastian, senior director, CUSIP Global Services.

The FDIC is collaborating with seven federal agencies including the Securities and Exchange Commission, Treasury, the Governmental Accounting Standards Board, and the Municipal Securities Rulemaking Board on figuring out how the new rules imposed by the Financial Data Transparency Act will be implemented.

Per a statement from CUSIP, the proposed change of identifiers contains, "a fatal flaw that undermines the intent of the law and risks creating a costly and distracting operational challenge for financial market participants."

The change could also have a profound effect on the municipal bond market.

"It would be a painful and chaotic change," said Bastian. "The Municipal Securities Rulemaking Board embraced CUSIP in 1983 and since then the muni market has depended on the reliability of the CUSIP system."

"This includes granular features that may go unrecognized, such as our use of different base issuer numbers depending on the revenue stream and how we treat partial pre-refundings. These details are an intrinsic part of how the municipal bond market operates."

The FDTA is designed to bring more transparency to financial markets by making disclosures machine readable which would prompt a move away from relying on PDFs.

FIGI was developed under the auspices of the Object Management Group, a computer industry standards consortium.

"OMG is pleased that the FDIC, in yesterday's joint Notice of Proposed Rulemaking, proposed to adopt the FIGI as the common identifier for financial instruments," said David Blaszkowsky, financial sector domain task force co-chair, OMG.

"FIGI provides an innovative data management approach for identifying financial instruments, and like other OMG specifications, is based on open data principles and rigorous technical methodologies."

OMG also noted their belief that "FIGI fulfills the requirements for identifying the full range of financial instruments, including municipal securities."

CUSIP outlined what it considers to be additional major downsides to the industry moving to FIGI including its lack of fungibility. Per their statement, "Fungibility means that a specific financial instrument is represented by the same identifier regardless of the venue where it is traded."

The SEC is leading the charge on implementing the FDTA which was signed into law in 2022. The early stages have been dedicated to developing a taxonomy, including identifiers that work for all parties.

The implementation is now in the public comment segment of the process. Determining the standards is set for December 2024, with specific rulemaking to be in place by 2026.

Added costs for issuers has been cited as a reason to curtail the FDTA since it was originally proposed.

The corporate side of the securities industry has been required to use machine readable format since 2009, which the regulators frequently cite as proof the system can be implemented, even in the complex world of munis.

By Scott Sowers

BY SOURCEMEDIA | MUNICIPAL | 08/02/24 02:09 PM EDT

MSRB Announces New Board Members for FY 2025.

Washington, DC - The Municipal Securities Rulemaking Board (MSRB) announced today that it has elected three new Board members for Fiscal Year 2025 who will serve four-year terms, which begin on October 1, 2024.

The announcement follows news from MSRB's fourth quarterly Board meeting of FY 2024 where Warren "Bo" Daniels was elected to serve as Board Chair and Jennie Bennett was elected to serve as Vice Chair. Their terms begin on October 1, 2024.

"We are delighted to welcome our new Board members, who will bring fresh perspective to our important work," Chair-elect Daniels said. "Their diverse experience in the field of public finance will be invaluable to MSRB as we work to advance our Congressional mandate to protect investors, issuers and the public interest by promoting a fair and efficient municipal securities market."

The Board includes eight public members and seven regulated members. New public members joining the MSRB Board in FY 2025 are Ahmed A. Abonamah, former Chief Financial Officer & Director, Department of Finance, City of Cleveland, and Daniel L. Wiles, Assistant Treasurer and Tax Collector, County of Los Angeles. The new regulated member joining the Board is Heather E. Grzanka, Executive Director, Compliance Director, Fixed Income, Public Finance, JPMorgan Chase & Co., New York.

New Board members were selected from a pool of 48 applicants this year. "We also thank all of the highly qualified candidates who demonstrated their commitment to give back to the municipal market by applying to serve on the MSRB's Board," said Vice Chair-elect Bennett, who is also Chair of the Nominating Committee. Biographical information for Abonamah, Wiles and Grzanka can be found below.

Ahmed A. Abonamah will be taking on the role of Executive Vice President and Chief Financial Officer of Rock Entertainment Group and the Cleveland Cavaliers. Most recently, he served as Chief Financial Officer & Director, Department of Finance, City of Cleveland, overseeing the general operations, fiscal affairs and debt program of the City of Cleveland. Prior to that role, Abonamah worked for the Securities and Exchange Commission, serving as director in the Office of Credit Ratings and in various positions in the Office of Municipal Securities, including Deputy Director of the office. Before joining the SEC, among other roles, Abonamah worked as a public finance attorney at a global law firm where he served as bond counsel, underwriter's counsel, and disclosure counsel on a wide variety of public finance transactions. Abonamah has a bachelor's degree in political science from the University of Dayton and a JD degree from Case Western Reserve School of Law.

Daniel L. Wiles is Assistant Treasurer and Tax Collector for the County of Los Angeles, where, as member of the Treasurer's executive team, he oversees the public finance activities of the county, as well as the Treasury Pool deferred compensation investment teams. Prior to the County of Los

Angeles, Wiles served in various public finance-related roles over a 17-year period with Fieldman, Rolapp & Associates, Inc. in Irvine, CA. His long career in public finance spans over 40 years and includes positions with a number of law firms and financial institutions in Missouri, Minnesota and Colorado. Wiles has a bachelor's degree in economics from the University of Minnesota and a JD degree from the University of Minnesota Law School.

Heather E. Grzanka is Executive Director, Compliance Director, Fixed Income, Public Finance for JPMorgan Chase & Co. in New York, where she manages compliance for the Public Finance business including, banking, syndicate, sales and trading, debt capital markets, investor marketing, and infrastructure direct lending. Prior to JP Morgan Chase, Grzanka held fixed income compliance roles in New York with Jeffries LLC as Senior Vice President, UBS Investment Bank as Director, and First Albany Capital Inc., where she started her career. She has a Bachelor of Science in Finance from Siena College and completed the Certified Regulatory Compliance Professional Program at the NASD Institute at the Wharton School. She holds the Series 7, 24, 53, 55, 79, and 63 registrations.

Date: August 02, 2024

Contact: Aleis Stokes, Chief External Relations Officer
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MSRB Hosts Muni Finance Day for New York City Students.

Washington, DC – The Municipal Securities Rulemaking Board (MSRB) today hosted its 12th Muni Finance Day in partnership with the Municipal Forum of New York's Urban Leadership Fellows (ULF) Program for New York City students interested in careers in public finance.

"It is a privilege to partner again with the Municipal Forum of New York's Urban Leadership Fellows Program to showcase potential career opportunities for the next generation of public finance professionals," MSRB CEO Mark Kim said. "I am grateful to each of our distinguished speakers for sharing their personal stories and career advice with these promising students."

Muni Finance Day speakers included:

- Rick Erkel, Deputy Chief of Staff for Rep. Nydia Velázquez (D-NY) and Senior Policy Advisor, Minority Staff, House Committee on Small Business
- Pamela Frederick, Chief Financial Officer and Treasurer of the Battery Park City Authority in New York, NY and MSRB Board Member
- Mark Kim, Chief Executive Officer, MSRB
- Glen M. Lee, Chief Financial Officer, Government of the District of Columbia
- Dave Sanchez, Director, Office of Municipal Securities, Securities and Exchange Commission
- Deena Tauster, Chief of Staff for Rep. Andrew Garbarino (R-NY)

About the Urban Leadership Fellow Program

In 1992, the Municipal Forum of New York initiated the ULF Program, a paid summer internship program for graduating high school students. The purpose of the program was to introduce talented young people from diverse backgrounds to the municipal finance industry and inspire them to pursue careers in the field. In 1996, Futures and Options was hired by the Municipal Forum to manage the ULF Program to expand and deepen its educational component. This year, 30 interns

have been matched to internships at a range of government, financial and legal sites. In addition to the internship and mentorship components, participants take part in supplemental training and workshops to develop specific industry skills.

"We thank MSRB for its continued engagement and support of our summer internship program," Sasha-Lee Lewin, program manager with Futures and Options said. "Today's event included valuable perspectives from industry leaders from various corners of the public finance industry, all of which helped students gain a broader understanding of how a career in finance can be a meaningful and impactful career choice in the years ahead."

Date: July 30, 2024

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[The Devil Is In the \(Financial Reporting\) Details.](#)

States and localities don't have the manpower to handle the current load of burdensome financial reporting requirements—let alone the series of new ones announced yearly. They're pushing back.

"Our 2023 financial report is 311 pages long," says Ken Guy, finance director for King County, Washington. "I compare that to Boeing's 2023 financial report, [which] is 141 pages. Our financial report is twice as large, and I have to ask, why is that?"

Guy is one of a growing number of state and local financial officials who are distraught over what they see as an avalanche of new accounting requirements every year for their annual comprehensive financial reports. This vast sea of data and documentation is required by the Governmental Accounting Standards Board, or GASB, to receive a clean audit based on generally accepted accounting principles.

"GASB has been hitting us hard," says Sharon Edmundson, director of municipal finance programs for the North Carolina League of Municipalities. "They've had some significant statements roll out practically every year, which require a great deal of work."

What's more, the annual reports aren't the only financial documents that states and localities must prepare. "The state of California requires an additional report—as do other states—for the state comptroller to oversee governments' fiscal health," says Jennifer Becker, financial services director of Burbank, California. "We have the Federal Data Transparency Act coming out, which will have more requirements. And every grant we get has its own financial reporting requirements."

The detailed disclosures called for by some GASB standards can be enormously time consuming to assemble. For example, one recent requirement about leasing stipulated that a government keep close track of an expansive list of contracts, including those for leased copiers, Microsoft Office 365 subscriptions and agreements for cellphones.

As a result of this reporting burden, "many governments use a third-party vendor to track their leases," Edmundson explains. "It can be expensive, especially for little towns."

Who are these disclosures helping? Some argue that they are for the benefit of the public, which should be able to know in full detail how their tax dollars are being spent. But it's pretty clear that few residents actually read these documents. Of those that do, most do so online. As for the actual hard copies, "our chief accountant has said that in the last five years, he's only been aware of one resident asking for a hard copy of the financial statement," says King County's Guy.

What's more, there's general agreement that even if the public was reading the reports, they are so dense and complicated that even CPAs struggle with them.

Elected officials and their staffs, who, in the best of worlds, would take on the task of forging their way through these reports, grapple with them as well. "Elected officials, I suspect, often don't understand the reports," says Edmundson.

"If most elected officials don't read and/or can't understand financial reports, it is likely a safe bet that financial reports are not widely read or understood by the public," a [May report from the Government Finance Officers Association](#) concluded. "Furthermore, financial reports may not actually report what the public wants to know."

That leaves the credit rating agencies, which doubtless have the greatest desire to dig into every crack and cranny of an entity's financial standing. But, according to the GFOA report, the agencies are given far more information than they need. "Moody's Rating Service is known for their quantitative approach to analyzing the creditworthiness of local governments. The Moody's system relies on seven measures—when combined use a small fraction of the total information available in a financial report."

Joel Black, GASB chairman, is aware of these issues and points to some steps that the board is taking to address the situation. "The first thing," he says, "is that our agenda is smaller. We have created a higher bar before we [explore] a new standard, so the number of standards we're looking at is half the size of what it was a few years ago."

Additionally, GASB is implementing a policy that requires that disclosures that appear in notes to financial statements—and there can easily be hundreds of them—have to meet a "high bar of essentiality," says Black. "So, if we require a note statement, we have to explain how users have told us they would use them. In addition, we're going back through existing note disclosures over time to see if they are essential."

Clearly, GASB's efforts to slow down the pipeline of new standards may help over the long haul. The prospect of using artificial intelligence to ease the process of creating financial reports has the potential to make a big difference as well. "The advent of AI can help with financial reporting, as long as the data is available," says Shakeel Yusuf, chief financial officer of the Prince William County Public School System.

Route Fifty

By Katherine Barrett & Richard Greene

JULY 22, 2024

[MSRB Approves FY 2025 Budget, Elects Board Leadership and Advances](#)

Strategic Priorities at Quarterly Board Meeting.

Washington, D.C. – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) met on July 24-25, 2024, holding the final quarterly meeting of fiscal year 2024. The Board approved the FY 2025 budget, held FY 2025 officer elections for MSRB Board Chair and Vice Chair, and discussed priorities to advance its FY 2022-2025 Strategic Plan.

FY 2025 Budget

The Board approved a \$48.8 million budget to fund the activities of the MSRB for FY 2025, which begins October 1, 2024, representing a 2.9% increase over the prior year's budget. A more detailed budget summary, which presents MSRB's projected expenses, revenues and reserve levels, will be published in October at the beginning of the fiscal year. The FY 2025 budget follows extensive stakeholder outreach and engagement.

"Funding the future of regulation for the municipal securities market while demonstrating budget transparency and accountability remains of paramount importance," MSRB Board Chair Meredith Hathorn said. "Our meetings with stakeholders throughout 2024 have given us valuable feedback and perspective as we approved this budget."

Board Leadership for FY 2025

The Board held FY 2025 officer elections and considered candidates to fill vacancies on the Board. The Board elected Warren "Bo" Daniels, Managing Director and Head of Public Finance of Loop Capital Markets, to serve as FY 2025 Chair of the Board. Jennie Bennett, Associate Vice President for Finance, University of Chicago, will serve as Vice Chair. Officer terms are for one year and begin on October 1, 2024. The terms of MSRB's outgoing Chair Meredith Hathorn and Vice Chair Angelia Schmidt end on September 30, 2024.

"I am pleased to announce the election of Bo and Jennie as our incoming Chair and Vice Chair," MSRB CEO Mark Kim said. "I want to express my deep appreciation and gratitude to Meredith and Angelia for their outstanding leadership and unwavering commitment to advancing the public interest in a fair and efficient municipal securities market."

"It has been an honor to serve as Chair for two terms while serving on MSRB's Board throughout the past five years," Hathorn said. "I am immensely proud of what we have accomplished and appreciate the important contributions of our stakeholders, who have positively impacted our work to fulfill our Congressional mandate and uphold the public trust."

FY2022-2025 Strategic Priorities

In addition to the FY2025 budget and Board elections, the Board discussed the following initiatives:

Market Regulation

- Authorized staff to develop a Request for Information to solicit feedback and perspectives on various topics to shape the MSRB's fee structure.
- Rule G-12(c): Approved codifying certain interpretive guidance pertaining to inter-dealer trade confirmations into the rule and consolidating remaining guidance into FAQs.
- Rule D-15: Discussed potential modifications to the definition and threshold for determining what is a sophisticated municipal market professional (SMMP).
- Rule G-27: Engaged in a discussion of broker/dealer and municipal advisor supervisory obligations

in the post-pandemic workplace environment.

Market Transparency and Market Structure

- Authorized the publication of a concept release regarding the collection of pre-trade municipal market data following additional stakeholder outreach to inform its development.
- Received an update on the modernization of the Electronic Municipal Market Access (EMMA) website and related market transparency systems.

“MSRB’s commitment to stakeholder engagement on these important initiatives will remain front and center as we move forward,” Kim said.

Date: July 26, 2024

Contact: Aleis Stokes, Chief External Relations Officer
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MSRB Meeting Will Address Contentious Regulations.

The Board of Directors of the Municipal Securities Rulemaking Board will try to iron out some thorny issues when they meet on July 24-25, for their final quarterly gathering this fiscal year.

Establishing priorities for the next fiscal year and approving the FY 2025 budget to advance its strategic plan are among the agenda items. Of interest to the municipal bond market, the agenda includes key regulatory matters, including updates on Rule G-12(c), Rule D-15, and Rule G-27.

Rule G-12(c) remains a contentious subsection that seeks to codify transaction confirmation requirements for certain inter-dealer trades. Negotiations between the regulator and the industry over the rule have been going on since December 2023.

The Securities Industry and Financial Markets Association has gone on record labeling the rule as “obsolete” and asking for it to be deleted.

Rule D-15 deals with proposed modifications to the definition of a sophisticated municipal market professional that would affect broker dealers and municipal advisors.

Rule G-27 is trying to align MSRB rules for broker-dealers and municipal advisors working from home with similar regulations imposed by the Financial Industry Regulatory Authority. Finessing the fine points of G-27 was called into question by industry reps in June.

The Bond Dealers of America believes the ruling limits flexibility regarding remote work and applies only to supervisory functions for an individual firm as opposed to extending to investment bankers or traders involved in order execution or market making.

The board is considering the publication of a request for information regarding potential modifications to the rate card model for assessing fees on regulated entities.

In addition to the proposed rule changes, the board also plans to address its efforts on market transparency and structure via a progress report on EMMA website updates.

The MSRB is looking at an initiative that would collect pre-trade municipal market data to enhance market transparency and whether to publish a concept release on the topic for industry feedback.

An information session on blockchain and the emerging use of the technology in the municipal bond market is also planned.

The Board will also hold FY 2025 officer elections for the chair and vice chair positions. Meredith Hathorn, a managing partner at Foley & Judell, L.L.P., currently serves as chair and Angelia Schmidt, managing director and head of underwriting at UBS is the current vice chair.

By Scott Sowers

BY SOURCEMEDIA | MUNICIPAL | 07/19/24 12:37 PM EDT

MSRB Announces Discussion Topics for Quarterly Board Meeting.

Washington, DC – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) will meet on July 24-25, 2024, holding the final quarterly meeting of fiscal year 2024. The Board will discuss its priorities for the next fiscal year and approve the FY 2025 budget to advance its FY 2022-2025 Strategic Plan. The Board will also hold FY 2025 officer elections for MSRB Board Chair and Vice Chair. Additional highlights of the Board discussion will include:

Market Regulation

The Board will discuss regulatory matters and receive updates on several ongoing initiatives including:

- [Rule G-12\(c\)](#): Potential codification of confirmation requirements for certain inter-dealer trades.
- [Rule D-15](#): Potential modifications to the definition of a sophisticated municipal market professional (SMMP).
- [Rule G-27](#): Industry feedback in connection with supervisory obligations in the post-pandemic workplace environment.
- Rate Card: Consider the publication of a request for information regarding potential modifications to the rate card model for assessing fees on regulated entities.

Market Transparency and Market Structure

The Board will receive updates on the following areas related to market transparency and structure:

- The modernization of the Electronic Municipal Market Access (EMMA) website and related market transparency systems. This will include a demonstration of stakeholder-driven updates that will enhance EMMA's interface and user experience.
- A potential initiative to collect pre-trade municipal market data to enhance market transparency and whether to publish a concept release on the topic for industry feedback.
- An information session on blockchain and the emerging use of this technology in the municipal bond market.

Date: July 18, 2024

Contact: Aleis Stokes, Chief External Relations Officer

SEC Approves Amendments to Rule G-47 to Add Three New Time of Trade Disclosure Scenarios, Codify and Consolidate Existing Guidance, Delete Certain Guidance, and Make Technical Amendments.

[View the MSRB Notice.](#)

The Demise of Chevron: End of an Era or More of the Same? - Quarles & Brady

In a pair of 6-3 decisions issued Friday and Monday, the U.S. Supreme Court dealt back-to-back blows to the administrative state. First, it ruled on Friday in *Loper Bright* that federal courts can no longer defer to federal agencies' interpretations of statutes, overruling forty years of precedent under the "*Chevron* doctrine."¹ Second, it ruled on Monday in *Corner Post* that the six-year statute of limitations on claims challenging final agency action under the Administrative Procedure Act (APA) does not begin to run until the plaintiff is injured by the agency's action.²

Taken together, these rulings make it easier to challenge federal agency action in federal courts: now, even agency actions from more than six years ago can be challenged upon a showing of more recent injury (*Corner Post*), and once in court there will be no thumb on the scale for the federal agency when it comes to interpreting statutes (*Loper Bright*). But how much these changes in the law will alter agency litigation in practice remains to be seen.

Loper Bright marks the end of what Justice Gorsuch called the Supreme Court's "forty-year misadventure" under *Chevron*, a 1984 decision holding that when a federal statute is ambiguous, the interpretive tie goes to the agency, whose interpretation will be sustained as long as it is reasonable.³ No more, said Chief Justice Roberts, writing for the majority. Now, "[c]ourts must exercise their independent judgment in deciding whether an agency has acted within its statutory authority," and "courts need not and under the APA may not defer to an agency interpretation of the law simply because a statute is ambiguous."⁴

[Continue reading.](#)

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7/2/24

SEC, MSRB, FINRA to Hold Hybrid Compliance Outreach Program.

WASHINGTON, July 01, 2024--(BUSINESS WIRE)--The Securities and Exchange Commission (SEC),

Municipal Securities Rulemaking Board (MSRB) and FINRA announced today that registration is now open for both in-person and virtual attendance of their Compliance Outreach Program for municipal market professionals. The event is open to the public and will take place on Wednesday, Nov. 20, and Thursday, Nov. 21, 2024, in Denver, Colorado.

The program will provide municipal market participants an opportunity to hear from SEC, MSRB and FINRA staff on timely regulatory and compliance matters for municipal advisors and dealers. Panel topics will include compliance pain points for municipal advisors and broker-dealers, exam and enforcement priorities, a regulatory outlook, net capital requirements, federal fiduciary duty, post-trade monitoring and other municipal market key topics.

“The SEC looks forward to co-hosting this meaningful Compliance Outreach Program for municipal market participants,” said SEC Director of the Office of Municipal Securities Dave Sanchez. “These panel discussions address important regulatory and guidance information—much of which includes novel ideas and perspective—that municipal market participants will find valuable both in their roles and as industry leaders.”

“We are pleased to continue coordinating with the SEC and FINRA to continue an open dialogue with municipal advisors and dealers to address their top concerns and interests,” said MSRB Chief Regulatory and Policy Officer Ernesto Lanza. “This year’s program devotes time to both municipal advisors and dealers in the form of breakout sessions that will address unique issues and needs for all types of municipal market professionals, including small firms.”

“The Compliance Outreach Program is a great opportunity to engage in dialogue that fosters effective regulation, improves compliance and strengthens everyone’s understanding of the industry,” said Michael Solomon, Executive Vice President, Examinations and Membership Application Program at FINRA. “We are pleased to partner with the SEC and MSRB to offer a forum where municipal market participants not only hear from their regulators but also work with them.”

Registration is being administered by FINRA. The program is free and open to the public. For those unable to attend in-person or via the livestream, a recording of the program will be archived on the SEC’s webpage following the event.

To submit questions and topics of interest in advance of the event, please email: gergana.sellers@finra.org.

[SEC, MSRB, FINRA to Hold Hybrid Compliance Outreach Program.](#)

Washington D.C. – The Securities and Exchange Commission, Municipal Securities Rulemaking Board (MSRB), and Financial Industry Regulatory Authority (FINRA) today announced that registration is now open for both in-person and virtual attendance for their Compliance Outreach Program for municipal market professionals. The event is open to the public and will take place on Wednesday, Nov. 20, and Thursday, Nov. 21, 2024, in Denver, Colorado.

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[Register for the program.](#)

Date: July 01, 2024

Contact: Aleis Stokes, Chief External Relations Officer
202-838-1500
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[SIFMA: Life in the \(Fixed Income\) Fast Lane](#)

A Cautionary Tale About Recent Proposals to Shorten Fixed Income Post-Trade Reporting Timelines

In a speech regarding fixed income markets in early 2022, SEC Chair Gary Gensler noted that current FINRA and MSRB rules require that (most) fixed income trades must be reported as soon as practicable but no later than within 15 minutes of the time of execution and wondered “why couldn’t the outer bound be shortened to no later than, for example, 1 minute?”

Later that year FINRA and the MSRB published requests for comment on instituting an across-the-board requirement that most fixed income trades (including most corporate bond, ABS, and municipal securities transactions) be reported in one minute. Welcome to life in the fast lane – but instead of Walsh, Frey and Henley, we’re running with the SEC, FINRA and the MSRB.

SIFMA and its Asset Management Group filed a joint response to FINRA and MSRB strongly objecting to a one-minute requirement, noting that “moving directly to a significantly shortened

trade reporting timeframe...is destined to be rife with problems...and we strongly oppose the Proposals outlined by the SROs for this reason.”

Probably most significantly, such a requirement would destroy the so-called voice markets, which involve transacting by phone, chat, or other non-automated methods, which are very important for fixed income generally, and particularly so for smaller participants in the fixed income markets. It is not practical that these kinds of trades be consistently reported in one minute, especially considering that multiple bonds are commonly traded at the same time, that hedges are put on simultaneously with trades, and other reasons. Firms would either have to stop transacting in voice markets, or severely slow down their activity to ensure that regulatory reporting requirements are met.

FINRA and the MSRB saw the stop signs thrown up by the responses from SIFMA ([and many others](#)) to their request for comment, and things didn't take a turn for the worse (at least yet). In 2023, rules were proposed by [each regulator](#) that would implement a one-minute reporting requirement, but these new proposals included two exemptions - one for trades with a manual component (e.g., voice trades) and one for firms with low transaction volumes. SIFMA and SIFMA AMG also [responded to this proposal](#). These proposals, and the [comments](#) submitted in response, currently await final action from the SEC.

SIFMA's View

While this 2023 proposal is an improvement, it is not a cure for the ills that plagued the original proposal, and the warning lights are still turning red.

SIFMA and its AMG support improvements to post-trade transparency that balance costs and benefits. We believe the existing transparency framework balances timely reporting, benefits to market participants, and burdens related to liquidity and cost. Given that FINRA-member broker-dealers are required to report trades as soon as is practicable, and given that there is no history of widespread violation of this provision of the rules, one should conclude that broker-dealers are currently reporting trades as soon as is practicable, in other words, as quickly as they can.

We do not believe the transition to one-minute reporting has been adequately examined or justified, nor do we believe that the proposed one-minute reporting rule can be adopted without exposing the broker-dealer community to significant regulatory risk and their clients to diminished liquidity and service.

The over-the-counter fixed income markets, including the municipal securities market, are fundamentally different than the centralized and exchange-based equity market. Significant amounts of trading and post-execution processing in the fixed income markets rely on manual or only partially automated processes such as phone calls or chat, or other processes that require human intervention. Full automation of these processes to enable consistent reporting in one minute in some cases is impossible, and in other cases is prohibitively expensive, particularly for smaller firms.

Notwithstanding this, if the Commission intends to move forward with a reduction in trade reporting timelines in the fixed-income markets, the SROs' Proposals to create a manual trade exception and a de minimis exception to protect smaller broker-dealers are a bare minimum component to allowing broker-dealers to achieve a reasonable chance of compliance. However, a mandatory one-minute requirement remains unworkable even for certain fully-electronic trades, and the application of any final rules should reflect this.

As we discussed in our letter to FINRA and the MSRB, they should reconsider if a one-minute trade

reporting requirement is appropriate for fixed income markets in the first place, but if a decision is made to proceed with this proposal, then FINRA and the MSRB should:

- Implement a broad exception for manual trades;
- Examine impacts to liquidity, depth, concentration, and transparency prior to decreasing reporting times to shorter intervals to ensure markets are not harmed;
- Provide relief for certain electronic trades where system processing limitations prevent one-minute reporting, including allocation trades; and
- Implement the proposed de-minimis exception for smaller-volume dealers.

With apologies to the Eagles, we should not be so “eager for action and hot for the game” that we hurt the markets that serve U.S. businesses, state and local governments, and consumers in an effort to nominally improve transparency.

Authors

Chris Killian is Managing Director, Securitization and Corporate Credit at SIFMA.

Leslie Norwood is Managing Director & Associate General Counsel, Municipal Securities at SIFMA.

July 2, 2024

[Credit Rating and Geography: Examining the Timeliness of Municipal Bond Audits](#)

Abstract

Credit Rating and Geography: Examining the Timeliness of Municipal Bond Audits overviews audit time trends since 2011. Then, it recognizes the timeliest audits for the 2022 fiscal year, grouped by municipal credit sector, from more than 11,000 municipal bond audits in the Merritt Research Services database found in CreditScope. In addition, the report conducts correlational analysis to examine the potential connection between credit rating and audit timeliness, as well as provides a geographical illustration of median audit times across the U.S. states for governmental bond issuers.

Read the full report [here](#).

University of Illinois Chicago

Government Finance Research Center

Published: May 15, 2024.

[SIFMA State Disclosure Review Highlights](#)

SIFMA has conducted a thorough, 50-state review of laws and regulations that govern local government disclosure, issuance and audit practices in an effort to better understand the financial reporting and municipal bond disclosure laws in place. In its review SIFMA looked at questions like whether states require the submission of and make public official statements (OSs) when bonds are issued, audited annual financial statements and other information relevant to investors.

Lies and Half-Truths and Omissions, Oh My! Considering Rule 10b-5(b) after Macquarie Infrastructure Corp. v. Moab Partners L.P. from a Public Finance Perspective - Bowditch

SEC Rule 10b-5(b) makes it unlawful, in connection with the offer and sale of securities, for any person to make any untrue statement of material fact or omit to state a material fact when the omission renders any statements made misleading. In *Macquarie Infrastructure Corp. v. Moab Partners L.P.*, No. 22-1165, 601 U.S. ___, slip op. at 2 (Apr. 12, 2024), Moab Partners sued Macquarie Infrastructure Corporation, alleging that Macquarie violated Rule 10b-5(b) in failing to disclose certain information under Item 303 of SEC Regulation S-K. Item 303 requires companies to disclose known trends or uncertainties that are reasonably likely to have a materially positive or negative financial impact on operations. Moab Partners claimed that Macquarie's omission negatively affected Macquarie's stock price.

In April of 2024, a unanimous United States Supreme Court issued a decision in *Macquarie*, holding that a "pure omission" does not support a private cause of action under Rule 10b-5(b), settling a long-standing federal circuit split in the process. Although the background of the case deals with the SEC filings submitted by a public company, the decision offers a window into the Court's thinking relative to Rule 10b-5(b) generally. This is significant, as the statements made by municipal issuers, if those statements are likely to be heard and relied upon by the securities market, are also subject to regulation by the SEC under Rule 10b-5. As such, *Macquarie* can serve as a useful practice pointer for municipal issuers and their attorneys in preparing offering documents and making public statements in connection with the offer and sale of municipal securities.

SUPREME COURT'S DECISION

In issuing its decision, the Court focused on the narrow issue of whether the failure to disclose information required by Item 303 is actionable under Rule 10b-5(b). The Court stated that the Rule only requires disclosure of information when it is necessary to ensure that statements already made are clear and complete. Therefore, a claim of a "pure omission" of information, absent a showing that the omission rendered any affirmative statements to be materially misleading, is not actionable under Rule 10b-5(b).

RULE 10B-5

Rule 10b-5 is designed to combat fraud in the offer or sale of securities. Specifically, Rule 10b-5(b) provides a private cause of action for investors by making it unlawful for a public company or governmental issuer to either: (i) make an untrue statement of a material fact or (ii) omit to state a material fact that is necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. As determined by the Court in *Stoneridge Inv. Partners v. Sci-Atlanta, Inc.*, the six elements necessary to claim a Rule 10b-5 violation are: (1) a material misrepresentation or omission by the defendant; (2) scienter; (3) a connection between the misrepresentation or omission and the purchase or sale of a security; (4) reliance upon the misrepresentation or omission; (5) economic loss; and (6) loss causation.

Regarding the first element, although Rule 10b-5(b) expressly prohibits the making of material misrepresentations (i.e., an untrue statement of a material fact), its prohibition on omissions of

material facts has caused confusion and mixed results in the lower courts. Where there is no material misrepresentation but rather an omission at issue, the Court in *Macquarie* held that the omission cannot exist in a vacuum. Rather, the omission must be tied to an affirmative statement that was already made by the defendant. Thus, in bringing forth a Rule 10b-5 claim on an omission theory, the plaintiff must identify at least one underlying statement that was made misleading by the omission.

PURE OMISSIONS VS. HALF-TRUTHS

In its decision, the Court distinguished between “pure omissions,” which are not actionable under the Rule, and “half-truths,” which are actionable under the Rule. A pure omission occurs when a speaker says nothing and, under the circumstances, the silence itself is not particularly meaningful. In other words, the failure to disclose information (i.e., the “silence”) does not otherwise render any underlying affirmative statements materially misleading. In contrast, a half-truth states the truth but omits critical qualifying information, rendering the statement, although technically true, to be also substantively misleading. Justice Sotomayor, writing for the Court, distinguished the two concepts as follows: “...the difference between a pure omission and a half-truth is the difference between a child not telling his parents he ate a whole cake [a pure omission] and telling them he had dessert [a half truth].” In contrast to the first statement (the pure omission), the second statement (the half truth) requires disclosure of additional information necessary to ensure that the statement that was already made is clear and complete.

Therefore, to bring a successful cause of action for a violation of Rule 10b-5(b), the plaintiff must first identify the defendant’s affirmative statements (the “statements made” component of the Rule) and then show how other facts were omitted that rendered the statements materially misleading. In *Macquarie*, the defendant’s silence in omitting certain information from its Item 303 filing, without an underlying affirmative statement rendered misleading by that silence, was therefore not actionable under Rule 10b-5(b).

As noted above, the Court’s decision was narrowly focused, leaving open to lower courts related questions regarding what constitutes “statements made,” when a statement is misleading as a half-truth, or whether a pure omission is actionable under Rules 10b-5(a) and 10b-5(c) (i.e., “scheme liability”).

TAKEAWAYS FOR MUNICIPAL ISSUERS AND PUBLIC FINANCE PROFESSIONALS

Although addressing the SEC filings of a public company, the *Macquarie* decision can serve as a useful tool for municipal issuers and public finance professionals. First, any statements (whether included in an issuer’s offering document, available in investor presentations or on an investor website, or otherwise released publicly) that are reasonably expected to reach investors can potentially expose an issuer to liability under Rule 10b-5, regardless of the intended audience or delivery method. Second, in evaluating the accuracy or completeness of such statements, the omission of certain information, without a causal link to those statements, would not necessarily lead to a Rule 10b-5 violation. Nevertheless, in light of *Macquarie*, prior to making any such statements, issuers, in consultation with their attorneys, should carefully consider the possibility for half-truths and identify any qualifying facts that could cause the statements being made to be materially misleading. Such increased scrutiny will only improve the issuer’s disclosures in any event.

BY NEAL R. PANDOZZI • JUNE 13, 2024

BOWDITCH & DEWEY

[GASB Publishes Post-Implementation Review Report on Pension Standards.](#)

Norwalk, CT, June 3, 2024 — The Governmental Accounting Standards Board (GASB) today published a Post-Implementation Review (PIR) report on the Board's pension standards.

The [report](#) focuses on GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

The report, issued by GASB staff, concludes that Statements 67 and 68 met the three PIR objectives:

- The standards accomplish their stated purpose,
- Costs and benefits are in line with expectations, and
- The Board followed its standard-setting process.

Furthermore, the report concludes that GASB Statements 67 and 68 significantly enhanced the accounting and financial reporting for pensions by pension plans and governmental employers with key provisions including the recognition of the net pension liability on the face of the government-wide statement of net position and the measurement of the liability using a blended discount rate.

After the issuance of each GASB standard, the GASB provides educational support, responds to technical inquiries, and often issues questions and answers about the standard through implementation guidance. More complex standards—like Statements 67 and 68—are eligible to undergo more extensive PIR procedures culminating in a final report.

More information about the PIR process, including other projects for which the GASB is currently conducting PIR activities, is available by visiting the [GASB PIR web portal](#).

[Why GFOA is Rethinking Financial Reporting.](#)

In a time of decreasing trust in government, we should ask if lengthy, technical financial reports published many months in arrears are the most effective way to build trust with government's most important constituency: citizens. In a time of declining resources, we should ask if the finance officer's time is well spent producing these reports.

This report presents GFOA's vision for updating financial reporting. It critiques the current approach for not meeting the needs of its audiences, highlighting issues such as complexity and the time required to prepare the reports. The report also discusses the opportunity costs of financial reporting and outlines strategies to make financial reports more user-friendly, streamlined, and better aligned with users' needs.

[Read New Research.](#)

[MSRB Publication: Timing of Annual Financial Disclosures by Issuers of Municipal Securities](#)

[Read the MSRB publication.](#)

5/29/24

Wall Street Trade Failure Rate Rise in Third Day of Faster Settlement.

NEW YORK (Reuters) -The U.S. trade failure rate rose on Thursday, the fourth day of the newly launched faster settlement cycle, according to data released by the Depository Trust and Clearing Corporation on Friday.

The fail settlement rate stood at 2.71% on Thursday versus an average of 1.90% in the previous two days. The average for May before the shorter settlement cycle was 2.01%.

U.S. trading of equities, corporate and municipal bonds and other securities moved on Tuesday to a one-day settlement cycle (T+1) from two days (T+2), to comply with a rule change the SEC adopted in February.

DTCC did not immediately comment on the reasons for the spike in the fail rate.

Despite a higher failure, U.S. Securities and Exchange Commission Chair Gary Gensler said on Friday he considers the overhaul of the settlement cycle for U.S. securities has gone well this week.

"The historic conversion from T+2 to T+1 has gone smoothly thus far," Gensler said in an emailed statement. "We remain in close contact with the clearinghouses and other market participants as we continue to monitor the transition ahead of increases in trading volumes expected this afternoon."

Market participants have said the transition was going smoothly, despite some expected bumps.

Research firm ValueExchange said on average market participants expected the fail rate to increase to 4.1% after T+1 implementation, from 2.9%, according to a survey released prior to the implementation of the faster settlement.

May 31, 2024

(Reporting by Carolina Mandl and Chris Prentice; Editing by Josie Kao)

MSRB Amends Rule G-27 to Allow Dealers to Conduct Remote Inspections, Consistent With Recent FINRA Amendments.

[Read the MSRB notice.](#)

5/31/24

GASB 100 "Ghost Columns"

If your government reports more than one fund in your financial statements, you need to take a look at this TAD before June 30, 2024. GASB 100 added new requirements for the presentation of funds

in the year they are reclassified between major and nonmajor. The new requirements extend into the format of note disclosures and combining statements. Stay informed and compliant to ensure your financial statements meet the new standard.

[Watch Video.](#)

GASB Issues Guidance to Improve Key Components of Government Financial Reports.

Norwalk, CT, May 28, 2024 — The Governmental Accounting Standards Board (GASB) today issued guidance designed to improve key components of the financial reporting model—the blueprint for governmental financial reports.

[GASB Statement No. 34](#), *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, which established government financial statements as we know them today, was issued almost 25 years ago in 1999. It represented perhaps the most significant and far-reaching change in governmental accounting since the establishment of the GASB in 1984.

GASB Statement No. 103, Financial Reporting Model Improvements, builds on Statement 34 by providing key targeted improvements to the financial reporting model. Its requirements are designed to:

- Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government’s accountability, and
- Address certain application issues.

The targeted improvements contained in Statement 103 establish or modify existing accounting and financial reporting requirements related to:

- Management’s discussion and analysis
- Unusual or infrequent items (previously known as extraordinary and special items)
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
- Major component unit information, and
- Budgetary comparison information.

Targeted Improvement Areas

The Board periodically reexamines existing standards to learn whether the standards are accomplishing their intended purpose and if the informational benefits to financial statement users justify the cost to governments in complying with the standards. GASB research found that Statement 34 continues to be highly effective but did identify certain opportunities for improvement.

The requirements in Statement 103 improve financial reporting in a number of ways. While the overall requirements do not substantially change management’s discussion and analysis, the modifications are meant to improve the analysis included in this section and provide details about the items that should be discussed as currently known facts, decisions, or conditions expected to have a significant financial effect in the subsequent period.

With respect to unusual or infrequent items, the new Statement simplifies GASB literature by eliminating the separate presentation of extraordinary and special items. Under the requirement of Statement 103, applicable items will either be identified as unusual or infrequent, or both.

The changes to the presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position are designed to improve consistency around the classification of items in those statements by better defining what should be included in operating revenues and expenses and nonoperating revenues and expenses including, for example, the addition of subsidies received or provided as a new category of nonoperating revenues and expenses.

Statement 103 is designed to improve the consistency of the reporting of major component unit information and budgetary comparison information by specifying required placement of that information. GASB Concepts Statements, issued after Statement 103, provide guidance that was used to determine where to report this information in a government financial report. Furthermore, GASB research found that optionality of placement could lead to inconsistency in practice in the reporting of that information.

The requirements of Statement 103 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

[Key Steps for Fund Managers to Avoid Scrutiny Under the SEC's Pay-to-Play Rule: Proskauer Rose](#)

The SEC's recent settlement involving a "pay-to-play" rule violation by a private equity firm is a timely reminder for fund managers, especially with the November elections approaching.

As a refresher, Rule 206(4)-5 of the Investment Advisers Act - known as the "pay to play" rule - prohibits investment advisers from receiving compensation for providing advisory services to state and municipal entities for two years after the adviser or one of its "covered associates" makes certain political contribution to candidates for public office. Note that the SEC Enforcement Division staff periodically reviews public campaign contribution reports (which are publicly available online) to identify donations by individuals associated with investment advisers.

In the [recent SEC settlement](#), an employee and covered associate of an SEC-registered investment adviser contributed \$4,000 to the political campaign of a state government official, whose position had the ability to influence the selection of investment advisers for the state board of investment. The state had a pre-existing investment in private equity funds managed by the firm. This contribution triggered the pay-to-play rule restrictions and as a result, the entity was fined as part of a cease and desist order.

[Continue reading.](#)

Proskauer Rose LLP - Joshua M Newville, Robert Pommer and Julia M. Ansanelli

May 29 2024

Financial Reporting Model - Reexamination of Statements 34, 35, 37, 41, and 46, and Interpretation 6: GASB Current Projects

Project Description

The objective of this project is to make improvements to the financial reporting model, including Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other reporting model-related pronouncements (Statements No. 35, Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities, No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus, No. 41, Budgetary Comparison Schedules—Perspective Differences, and No. 46, Net Assets Restricted by Enabling Legislation, and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements). The objective of these improvements would be to enhance the effectiveness of the model in providing information that is essential for decision-making and enhance the ability to assess a government’s accounting and to address certain application issues, based upon the results of the pre-agenda research on the financial reporting model.

[Learn More.](#)

Classification of Nonfinancial Assets: GASB Current Projects

Project Description

The objective of this project would be to reconsider the existing classification of nonfinancial assets and other related sub-classifications (for example, capital assets or intangible assets) to ensure that (1) assets are classified in a way that provides the most relevant financial information and (2) the definitions of the classifications are understandable and appropriate to meeting financial reporting objectives. The project also will consider how any classification changes would affect financial statement presentation and disclosure of nonfinancial assets. The project will not, however, reexamine recognition or measurement of nonfinancial assets.

[Learn More.](#)

MSRB to Retire Selective Interpretive Guidance Regarding Inter-Dealer Confirmation Disclosures.

[Read the MSRB Notice.](#)

May 22, 2024

SEC Instituting Proceedings on FINRA and the MRSB’s Proposals to Shorten

Trade Reporting Timelines in Fixed-Income Markets: SIFMA Comment Letter

SIFMA and SIFMA AMG provided further comments to the U.S. Securities and Exchange Commission (SEC) in light of the SEC's instituting proceedings on FINRA and the MSRB's (together, the "SROs") proposals to shorten trade reporting timelines in fixed-income markets.

See related: [Proposed Rule Change to Amend MSRB Rule G-14 and FINRA Rule 6730 \(SIFMA and SIFMA AMG\)](#)

[Read the SIFMA Comment Letter.](#)

MSRB Amends Rule G-27 to Harmonize with FINRA and Adopt the Residential Supervisory Location Classification.

Washington, DC – The Municipal Securities Rulemaking Board (MSRB) today filed with the Securities and Exchange Commission (SEC) a proposed rule change to [MSRB Rule G-27](#) on dealer supervision. The proposed rule change will allow Financial Industry Regulatory Authority (FINRA)-member dealers to designate an associated person's private residence where supervisory activities are conducted as a residential supervisory location (RSL), which will harmonize Rule G-27 with recently adopted amendments by FINRA. The rule change was filed today for immediate effectiveness and becomes operative on June 1, 2024.

"This amendment is an important milestone in the modernization of the regulatory framework for dealer supervision of municipal securities activities," MSRB Chief Regulatory and Policy Officer Ernesto A. Lanza said. "We recognize that the adopted amendments by FINRA are a sea change for the industry and are mindful of the need to promote regulatory consistency for dealers."

The RSL classification allows FINRA-member broker-dealers (dealers) the option to treat a private residence at which an associated person engages in specified supervisory activities, subject to certain safeguards and limitations, as a non-branch location. As a non-branch location, the newly defined RSL will be subject to inspections on a regular periodic schedule instead of the annual inspection currently required for offices of municipal supervisory jurisdiction (OMSJ) and supervisory branch offices.

To utilize the optional RSL classification, a dealer and the associated person assigned to each location must meet specified conditions and eligibility requirements, pursuant to Rule G-27. Additionally, the dealer must develop a reasonable risk-based approach to designating an office or location as an RSL and conduct and document a risk assessment for the associated person assigned to each office or location. Dealers must also provide a list of designated RSLs to FINRA, with the first list due to FINRA by October 15, 2024, covering all locations designated between June 1, 2024, and September 30, 2024.

"MSRB acknowledges that the way dealers conduct business has changed over recent years with an increasing move to hybrid workplace models," Lanza said. "We will continue to engage with stakeholders to better understand ongoing burdens and balance those burdens against the need for robust protection of investors."

In the coming weeks, MSRB expects to file an additional amendment to Rule G-27 with the SEC, allowing certain dealers to fulfill their office inspection obligations remotely for a pilot period

through participation in FINRA's Remote Inspections Pilot Program.

[Read the notice.](#)

Date: May 10, 2024

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GFOA: GASB 102 and More Disclosure for You

Following the issuance of the Governmental Accounting Standards Board (GASB) Concepts Statement No. 7, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*—an amendment of GASB Concepts Statement No. 3 (GASB CS7) in June 2022, GASB has undertaken several projects focused exclusively or primarily on required note disclosures, providing an opportunity to put GASB CS7's new, more rigorous criteria for note disclosure content to the test.

The recently issued GASB Statement No. 102, Certain Risk Disclosures (GASB 102), is the first of these projects to become a final standard. This article will provide a brief overview of GASB 102 and some background on the other disclosure-focused projects on GASB's current technical agenda.

[DOWNLOAD](#)

Publication date: April 2024

Author: Michele Mark Levine

Proposed Rule Change To Amend MSRB Rule G-47, on Time of Trade Disclosure, To Codify and Retire Certain Existing Interpretive Guidance and New Time of Trade Disclosure Scenarios: SIFMA Comment Letter

SUMMARY

SIFMA provided comments to the U.S. Securities and Exchange Commission (SEC) on the Municipal Securities Rulemaking Board's (MSRB) Notice of Filing of a Proposed Rule Change To Amend MSRB Rule G- 47, on Time of Trade Disclosure, To Codify and Retire Certain Existing Interpretive Guidance and New Time of Trade Disclosure Scenarios.

[View the SIFMA Comment Letter.](#)

See related: [Request for Comment Regarding a Retrospective Review of the MSRB's Time of Trade Disclosure Rule and Draft Amendments to MSRB Rule D-15, On Sophisticated Municipal Market Professionals](#)

MSRB: Possible Redemption of Build America Bonds

[Read the MSRB publication.](#)

4/26/24

Muni Regulator Flags Risks of Buying Build America Bonds.

- **Refinancings can saddle investors with losses as bonds called**
- **MSRB says a number of the bond issues trading above par value**

The municipal-bond market's regulator published a note highlighting the risks of buying Build America Bonds that are trading at more than 100 cents on the dollar, which expose investors to potential losses as governments increasingly buy them back under refinancings.

The securities were sold in 2009 and 2010 through a federal program that was aimed at helping to pull the economy out of its slump by increasing state and local government spending on infrastructure. The federal government subsidizes some of the interest bills on the bonds instead of making the interest tax-exempt, as is the case with traditional municipal securities.

But those subsidies were cut over a decade ago, and governments have been refinancing them by exercising their right to buy the bonds back from investors. That call price can be below where the bonds have been trading.

In guidance published Friday, the Municipal Securities Rulemaking Board said it has seen "a number of BABs trading in the secondary market at a significant premium to par," and said investors should be aware of the risk of buying them. If called, it could "result in a loss, particularly for investors who purchase the BABs at a premium."

The group also said that the likelihood of an individual security being called will depend on a range of factors like the rate environment, the government's cash position and the specifics of the call provisions.

Bank of America Corp. said Friday that Build America Bond refinancings have helped to boost the pace of overall debt sales, which picked up this year as markets recovered from the impacts of the Federal Reserve's rate hikes.

Bloomberg Markets

By Nic Querolo and Amanda Albright

April 26, 2024 at 7:06 AM PDT

GFOA' April Issue of Government Finance Review.

This month's magazine highlights how to architect a budget process, budgeting transparency initiatives, overcoming fear and resistance to create positive organizational change, payroll

processing, GASB 102, ERP contracts, members spotlights and much more.

The full issue of the April 2024 Government Finance Review is available to read electronically. Individual articles are available for download below.

[READ FULL ISSUE](#)

MSRB Announces Discussion Topics for Quarterly Board Meeting.

Washington, DC – The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) will meet on April 17-18, 2024, holding the third quarterly meeting of fiscal year 2024 to advance its FY 2022-2025 Strategic Plan.

Market Regulation

The Board will discuss regulatory matters and receive updates on several on-going Market Regulation initiatives including:

- Notice 2023-11: Review of public comments to Request for Information on Impacts of MSRB Rules on Small Firms.
- Rule G-12(c): Potential codification of confirmation requirements for certain inter-dealer trades.
- Rule G-14: Pending rule proposal to shorten the timeframe for trade reporting.
- Rule D-15: Potential modifications to the definition of a sophisticated municipal market professional (SMMP).
- Form G-32: Review of recent changes to the submission process for primary market disclosures to the MSRB's EMMA website.

Market Transparency

The Board will receive an update regarding work to modernize the Electronic Municipal Market Access (EMMA) website and related market transparency systems.

Additionally, the Board will review recent and upcoming research and education publications and discuss potential opportunities for future pieces.

MSRB to Seek Comment on Form A-12.

The Municipal Securities Rulemaking Board has approved a request for comment for amendments to its Form A-12 under its registration rule A-12, which would collect information on associated persons from bank dealers for display on MSRB.org.

That step was approved during the MSRB's second quarter meeting that concluded Thursday. The meeting also discussed a bevy of other regulatory efforts concerning its rule book, in addition to discussing the outcomes of its stakeholder meeting, also held this week.

The forthcoming request for comment on Form A-12 aims to make similar information available for bank dealers as it already does for municipal advisors, in addition to adding certain technical amendments to the rule.

“Modernizing MSRB rules and technology is a key focus for the Board as it works to provide greater transparency while protecting and strengthening the municipal securities market,” said MSRB chair Meredith Hathorn. “We continue to make progress on our strategic objectives, while also identifying important ways to enhance our broader outreach to the industry and stakeholders to hear their diverse perspectives.”

The MSRB also approved the issuance of a concept proposal, seeking input on the potential for creating a standalone rule requiring dealers to deliver primary offering disclosures to customers for municipal fund securities, including 529 plans and ABLE programs.

For other rules, the MSRB discussed its pending rule proposal for G-14 on customer transaction reporting, or its switch to a one minute trade reporting window. The board discussed comments received as part of its January 2024 rule filing and discussed next steps around final approval by the Securities and Exchange Commission.

“The SEC does have to take action on the MSRB and FINRA’s rule filings before the end of this month,” said Mark Kim, chief executive officer of the MSRB.

The board also discussed Rule G-12(c) the subsection of its uniform practices rule concerning inter-dealer confirmations and the potential codification of confirmation requirements, potential modification modifications to its sophisticated municipal market professional definition as part of Rule D-15, and reviewed changes to the submission process for primary market disclosure on Form G-32.

The board further discussed public comments received as part of its request for information on small firms and received a briefing on the muni market impact of the SEC’s newly adopted Rule 192 on conflicts of interest on certain securitizations.

Finally, the board discussed its second stakeholder meeting on its budgeting process. The board, as well as much of the market waits to hear what the Commission will do in response.

“We look forward to continued engagement with our stakeholders as we advance the MSRB’s mission of protecting and strengthening the municipal securities market,” Kim said.

By Connor Hussey

BY SOURCEMEDIA | MUNICIPAL | 04/19/24 12:03 PM EDT

[MSRB Advanced Regulatory and Technology Modernization Initiatives; Discussed Enhanced Stakeholder Outreach at Quarterly Board Meeting](#)

Washington, D.C. — The Board of Directors of the Municipal Securities Rulemaking Board (MSRB) met on April 17-18, 2024, for the third quarterly meeting of fiscal year 2024, where it discussed several market regulation and market transparency initiatives to advance its [FY 2022-2025 Strategic Plan](#). The Board also discussed recent outreach efforts to enhance stakeholder understanding of the MSRB’s rate card model, budget and technology investments.

“Modernizing MSRB rules and technology is a key focus for the Board as it works to provide greater transparency while protecting and strengthening the municipal securities market,” said MSRB Chair Meredith Hathorn. “We continue to make progress on our strategic objectives and to identify

important ways to enhance our broader outreach to the industry and stakeholders to hear their diverse perspectives.”

Market Regulation

The Board approved issuing a request for comment on proposed changes to MSRB Form A-12 to collect associated person information from bank dealers for subsequent display on MSRB.org, similar to information made available by the MSRB on associated persons of municipal advisors, as well as on certain potential technical amendments to Rule A-12.

The Board also authorized issuing a concept proposal seeking input on the potential modernization of requirements for dealers to deliver primary offering disclosures to customers for municipal fund securities, which include 529 plans and ABLE programs. The concept proposal would also seek input on potentially creating a new standalone rule similar to Rule G-47 on time of trade disclosure, which would include codifying existing interpretive guidance related to disclosure for municipal fund securities.

Additionally, the Board received an update on:

- Rule G-14: Pending rule proposal to shorten the timeframe for trade reporting. The Board discussed certain key aspects of the proposal in light of comments received on its January 2024 rule filing and considered next steps toward potential final approval of the proposal by the SEC.
- Rule G-12(c): Potential codification of confirmation requirements for certain inter-dealer trades.
- Rule D-15: Potential modifications to the definition of a sophisticated municipal market professional (SMMP).
- Form G-32: Review of recent changes to the submission process for primary market disclosures to the MSRB’s Electronic Municipal Market Access (EMMA) website.
- Public comments to MSRB’s Request for Information on Impacts of MSRB Rules on Small Firms.

Finally, the Board received briefings on the potential impact on the municipal securities market of the SEC’s recently adopted Rule 192 on conflicts of interest relating to certain securitizations as well as on recent press reports regarding extraordinary optional redemptions of Build America Bonds.

Market Transparency

The Board received an update on efforts to modernize the EMMA website, and related market transparency systems. This includes leveraging cloud computing and new technologies such as artificial intelligence and machine learning to improve the quality of data available on the EMMA website.

Additionally, the Board reviewed recent and forthcoming research publications, including a report indicating that an increase in pre-trade quote volume was correlated with trade price improvement in the municipal securities market.

MSRB Stakeholder Meeting

The Tuesday prior to its quarterly meeting, MSRB Board leadership and Finance Committee members, along with several other members of the Board and MSRB senior staff, met with industry stakeholders including broker-dealers, municipal advisors, issuers and investors. This was the second of two meetings, the first of which was held in March with regulated entities to discuss the MSRB’s 2024 rate card and fee-setting process. Tuesday’s meeting, which focused on the MSRB’s budget and technology initiatives, provided greater transparency and insight into these areas, while

providing an opportunity for various stakeholder groups to come together and share their perspectives.

“We look forward to continued engagement with our stakeholders as we advance the MSRB’s mission of protecting and strengthening the municipal securities market,” said MSRB CEO Mark Kim.

Date: April 19, 2024

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[SIFMA Update on The Guidelines on Funds’ Names Using ESG or Sustainability-Related Terms](#)

SUMMARY

SIFMA AMG provided [comments](#) to the Investor Protections and Sustainable Finance Department on the Guidelines on funds’ names using ESG or sustainability-related terms regarding their concerns about the impact of the proposed timing for implementation as well as some of the details of the final guidelines.

See related: [ESMA Consultation Paper regarding Guidelines on funds’ names using ESG or sustainability-related terms](#)

[FINRA Facts and Trends: March 2024 - Bracewell](#)

Welcome to the latest issue of Bracewell’s FINRA Facts and Trends, a monthly newsletter devoted to condensing and digesting recent FINRA developments in the areas of enforcement, regulation and dispute resolution. This month, we report on FINRA’s focus on uses of artificial intelligence as an emerging risk, oral argument in the Alpine Securities case that has broad implications for FINRA, a pair of enforcement matters that shed light on FINRA’s concerns with off-channel communications, and much more.

FINRA Proposes Expanding Category of Persons Who May Receive Projections and Targeted Returns

In our December 2023 issue, we discussed a FINRA proposal that would amend Rule 2210 (Communications with the Public), which generally prohibits projections of performance or targeted returns in member communications, subject to certain exceptions. The amendment would allow member firms to provide projected performance or targeted returns in institutional communications and in communications to qualified purchasers.

FINRA has now filed Partial Amendment No. 1, which “marginally expand[s]” the category of persons who can receive projected performance or target returns to include “knowledgeable employees.” As defined in Rule 3c-5 of the Investment Company Act, the term “knowledgeable

employees” generally includes officers, directors, trustees, general partners and advisory board members, or persons serving in similar capacities of the fund or certain of its affiliates, as well as other employees that participate in the investment activities of the fund or certain of the fund’s affiliates. As for why FINRA elected to include “knowledgeable employees,” it noted that these employees typically have sufficient knowledge of the operations of the private funds with which they are associated. As a result, they are “less likely not to understand the risks and limitations of projections or targeted returns associated with such funds.” Comments on the original amendment and Partial Amendment No. 1 are due by March 20, 2024. Anyone who wishes to file a rebuttal to a comment must do so by April 3, 2024.

FINRA Zeroes in on Vendor Use of Generative AI and Large Language Models

In its 2024 Annual Regulatory Oversight Report, which we reported on earlier, FINRA classified artificial intelligence as an “emerging risk,” noting that deploying AI in the industry could affect virtually all aspects of a broker-dealer’s operations. Now, in a recent episode of the FINRA podcast “FINRA Unscripted,” three prominent executives at FINRA offered further insight into two particular risks: vendor use of generative AI and large language models. Generative AI, which gained popularity with the launch of ChatGPT in November 2022, refers to a category of artificial intelligence systems that are designed to generate new, original content rather than simply analyze existing data. While generative AI has the ability to create new content, including text images and even audio, based on patterns and information that it learns from extensive training data, large language models are specifically designed for tasks revolving around natural language generation and comprehension. Large language models have been trained on immense amounts of text data that allow them to learn patterns and relationships between words and phrases and generate natural language and other types of content to perform a wide range of tasks.

Generative AI and large language models, while providing efficiencies that help member firms better serve customers, also present serious vendor management questions. From time to time, FINRA has made a point of cautioning firms and their registered representatives on the potential pitfalls when relying on these third-party vendors. During the COVID-19 pandemic, for example, FINRA observed that firms were increasingly leveraging vendors to perform risk management functions and to assist in supervising sales and trading activity and in customer communications. To address this concern, in 2021, FINRA published Regulatory Notice 21-29 on the topic of supervisory obligations related to outsourcing to third parties.

Now, however, vendor use of artificial intelligence presents another, albeit less predictable, layer of concern about accuracy, privacy, bias and intellectual property. According to Andrew McElduff, Vice President with Member Supervision’s Risk Monitoring team, when it comes to supervising a vendor’s use of these technologies, firms must do their diligence and ask the necessary questions to determine where their information is being stored and whether it is restricted only for the firm’s use. When it comes to firms’ use of vendors, Haimera Workie, Vice President and head of FINRA’s Office of Financial Innovation, cautions firms and their registered representatives: “You can delegate a function, but you can’t delegate ultimate responsibility.” As a result, firms should make sure to have in place written compliance and operational policies and procedures concerning the supervision of artificial intelligence systems and ensure that all contracts with third-party vendors protect the information of the firm and its clients.

Oral Argument Held in Challenge to Constitutionality of FINRA Enforcement Powers

The landmark case brought by Alpine Securities Corporation against FINRA continues to make its way toward a decision in the DC Circuit Court of Appeals, with an oral argument held last month. As we have reported previously, the case has potentially monumental implications for FINRA’s future.

Alpine, a firm that was expelled from FINRA membership following a 19-day hearing by an extended FINRA hearing panel, has sought to enjoin this so-called “corporate death penalty” by challenging the constitutionality of FINRA’s enforcement powers based on an argument that FINRA wields those powers in violation of the Appointments Clause of the US Constitution. This argument was applied by the US Supreme Court, in *Lucia v. Securities and Exchange Commission*, decided in 2018, to hold that the SEC’s Administrative Law Judges (ALJs) are subject to the Appointments Clause. In its briefs, FINRA has characterized the challenge to its own powers as an “existential threat.”

While there is always danger in attempting to read into a court’s comments at oral argument, the three-judge panel of the DC Circuit expressed a fair degree of skepticism concerning the constitutional challenge brought by Alpine.

Counsel for Alpine argued that the “existential threat” runs both ways, and that the remedy Alpine seeks is the “ability to continue to run its business, while it pursues its claims, free from summary imposition of the corporate death penalty by an unaccountable enforcer of federal law.”

But Judge Millett pushed back on the phrase “corporate death penalty,” pointing out that FINRA cannot actually close Alpine’s (or any firm’s) business, but only expel Alpine from its private organization. Still, Judge Millett acknowledged that “the consequence of that, thanks to Congressional statute, may be that it’s going to be very hard to stay in business.” Chief Judge Srinivasan also provided some clarification as to whether FINRA is truly “unaccountable,” asserting that any FINRA decision is immediately appealable to the SEC, which has the authority to issue a stay, such that the decision does not “irrevocably take effect immediately.” Judge Millett, however, leveled the harshest criticism of Alpine’s position, stating: “I think it would be the first time . . . that a court would be declaring someone an officer of the United States when they are hired by, employed by, and paid by a private entity.”

Counsel for FINRA took up this argument, telling the Court that: “No court in any jurisdiction has ever held that the Appointments Clause applies to employees of a private corporation. Alpine has not identified any reason for this Court to be the first to reach that unprecedented conclusion.”

The judges had difficult questions for FINRA’s counsel too. Chief Judge Srinivasan appeared concerned that FINRA’s position was overly formalistic, and would allow the SEC to avoid the Appointments Clause problem identified in *Lucia* by doing nothing more than retaining a private contractor to perform the function of its ALJs. Judge Millett, however, argued that “historically, that was how the federal government did prosecutions It would contract out lawyers to prosecute cases. . . . Lincoln prosecuted cases for the federal government.” Of the three-judge panel, Judge Walker appeared most troubled by the implications of FINRA’s arguments, telling FINRA’s counsel, “I think where we part ways is that you . . . disagree with this statement: significant executive power cannot be exercised by private citizens at all.”

Bracewell continues to monitor this case and will report on its progress and potential implications for FINRA.

Notable Enforcement Matters and Disciplinary Actions

Off-Channel Communications. In its 2024 Annual Regulatory Oversight Report (which we highlighted in our January newsletter), FINRA emphasized its growing concern surrounding off-channel communications — those that occur on non-firm platforms or devices. FINRA has backed up its warning with a series of fines and suspensions stemming from brokers’ engagement in such off-channel communications. In a recent enforcement action in February, FINRA imposed a \$75,000 fine on a brokerage firm, alleging that it failed to adequately supervise employees’ use of personal email

for business-related communications. The firm also allegedly failed to retain these emails, contravening both Securities Exchange Act and FINRA rules. Despite being alerted to at least one representative regularly using personal email for business purposes, the firm took insufficient action and merely issued automated warnings with respect to some of the off-channel communications. As a result, correspondence between representatives' personal email addresses and customers remained unpreserved. In a separate enforcement action, a broker agreed to fines and a two-month suspension from the industry for allegedly exchanging hundreds of securities-related text messages with 14 firm customers via his personal cell phone. Since the device was not sanctioned by his firm, none of these messages were captured or maintained, as required by the Exchange Act and FINRA rules. These actions, and others, underscore FINRA's continuing commitment to enforce its rules concerning off-channel communications.

Municipal Securities. FINRA recently concluded what appears to be its first disciplinary case involving the close-out requirements outlined in the Municipal Securities Rulemaking Board (MSRB) rules. An investment bank was fined \$1.6 million for its failure to promptly close out failed inter-dealer municipal securities transactions. According to FINRA, the bank had neglected to cancel or close out 239 failed inter-dealer municipal transactions — amounting to approximately \$9 million — within the mandated 20-calendar-day period following the settlement date. In fact, some transactions remained unresolved for nearly three years. Moreover, the bank allegedly failed to take necessary steps to acquire timely possession or control over 247 short positions in municipal securities valued at approximately \$9.4 million. It remains to be seen whether this enforcement action resulted from the severity of FINRA's allegations in this particular case, or whether it signifies a heightened focus on enforcement efforts within the municipal securities market.

Municipal Securities. In another municipal bonds case, FINRA expelled an underwriter and barred its principals from the industry for making fraudulent misrepresentations in the sale of municipal bonds. In a comprehensive 133-page decision, the OHO found that the underwriter made fraudulent misrepresentations concerning a \$6 million municipal bond offering in Alabama, and negligent misrepresentations with respect to separate \$2.2 million bond offering in Illinois. Both offerings failed shortly after closing, and the bondholders — many of whom were elderly — lost most of their investments. As a result of their misconduct, the underwriter and its principals (who had previously run afoul of FINRA rules) were barred indefinitely from the industry and were ordered to pay more than \$4.7 million in restitution, plus interest and costs.

Securities Lending. In separate actions, four broker-dealer firms agreed to pay a combined \$2.6 million in fines and restitution to settle claims that they failed to properly supervise fully paid securities lending programs. The Letters of Acceptance, Waiver, and Consent (AWCs) detailing FINRA's findings in these matters are available [here](#), [here](#), [here](#) and [here](#). Fully paid securities lending programs permit investors to lend out securities they already own to clearing firms, which in turn lend the securities to third parties for a fee. The fee is generally shared among the various participants: the customer, the broker-dealer and the clearing firm. When the investor chooses to sell the borrowed securities, the clearing firm is responsible for recalling them from the borrower. In each of the four cases, FINRA alleges that the broker-dealers automatically enrolled new customers in fully paid securities lending programs upon account opening, irrespective of suitability, and then pocketed the revenue they received from the clearing firms, in violation of written disclosures. Additionally, some customers who received cash payments in lieu of dividends allegedly suffered adverse tax consequences, for which the companies agreed to pay more than \$1 million in restitution.

FINRA Notices and Rule Filings

Regulatory Notice 24-02 – FINRA has adopted new FINRA Rules 3110.19 (Residential Supervisory

Location) and 3110.18 (Remote Inspections Pilot Program). FINRA also announced the end of the pandemic-era relief issued under Regulatory Notice 20-08. Rule 3110.19, which will become effective on June 1, 2024, establishes a new framework for inspections of private residences at which an associated person engages in specified supervisory activities. These private residences will be treated as non-branch locations — defined as “residential supervisory locations (or RSLs)” — and will be subject to inspections at least every three years, instead of the annual inspections currently required for a supervisory branch office. Firms must meet specified conditions to qualify for an RSL designation, including conducting and documenting a risk assessment. Rule 3110.18, which will become effective on July 1, 2024, establishes a voluntary, three-year remote inspections pilot program, which will allow member firms to fulfill their inspection obligations for qualified branch offices remotely (without an on-site visit). Firms must meet certain specified terms to participate, and must opt in to the pilot program no later than June 26, 2024. Finally, FINRA ended the relief provided under Regulatory Notice 20-08. A measure extended during the COVID-19 pandemic, Regulatory Notice 20-08 temporarily suspended the requirements for member firms to maintain updated U4 information with respect to the employment address for certain employees who temporarily relocated during the pandemic. The Notice also suspended the requirement to report newly opened temporary office locations or space-sharing arrangements. FINRA announced that these relief measures will expire on May 31, 2024.

Regulatory Notice 24-03 – FINRA has amended its Code of Arbitration Procedure to reflect changes to the arbitrator list selection process. The changes include:

- Randomly generated lists of arbitrators for each proceeding will now incorporate a manual review for conflicts of interest that are not identified in the list selection algorithm, with the Director empowered to exclude arbitrators from lists based on its review of current conflicts of interest;
- The Director is now required to provide a written explanation with respect to any decision to grant or deny a party’s request to remove an arbitrator; and
- The time for a party to request removal of an arbitrator for conflict of interest or bias (or for the Director to remove an arbitrator on its own initiative) will be from when arbitrator ranking lists are generated, to no later than the date on which the first hearing session begins.

FINRA also amended its Codes of Arbitration Procedure to make numerous clarifying and technical changes to the requirements for holding prehearing conferences and hearing sessions, initiating and responding to claims, motion practice, claim and case dismissals, and providing a hearing record.

Regulatory Notice 24-04 – FINRA has adopted amendments to its rules pertaining to securities settlement including by shortening the timeframes for delivery or settlement, consistent with the SEC’s recent adoption of final rules that changes the settlement cycle for most U.S. securities transactions from T+2 to T+1. The Regulatory Notice also amends 17 related FINRA rules with respect to transaction reporting, trade report processing, dates of delivery, and other similar matters.

Regulatory Notice 24-05 – FINRA announced the adoption of new Rule 6151 (Disclosure of Order Routing Information to NMS Securities). The new rule will go into effect on June 30, 2024, and will require member firms to submit to FINRA order routing reports for NMS securities, as required under SEC Rule 606(a). The reports will be required on a quarterly basis and will be publicly reported on a free website for at least three years.

Regulatory Notice 24-06 – In consultation with the Department of the Treasury, FINRA announced that, on March 25, 2024, it will begin disseminating an end-of-day file that includes information on individual transactions in US Treasury securities that are “on-the-run nominal coupons.” FINRA will also provide a new Historic TRACE data set for Treasury securities, which will contain transaction information on a six-month delayed basis. These reports will be publicly available and free of charge

on FINRA's website for non-professionals' personal, non-commercial purposes, on a next-day basis.

SR-FINRA-2024-004 - FINRA has proposed a rule change that would amend FINRA Rule 6730 to reduce the 15-minute TRACE reporting timeframe to one minute, with exceptions for member firms with de minimis reporting activity and for manual trades.

Bracewell LLP - Joshua Klein, Keith Blackman and Russell W. Gallaro

March 19 2024

Issuers On Notice For Climate Risks.

Municipal issuers who've yet to make a habit of disclosing material climate-related risks may be at risk of violating the Securities and Exchange Commission's antifraud provisions, following the rollout of its newly updated climate rule last week.

The SEC's new climate rules, reviled by many on both sides of the aisle for either doing too much or not doing enough, represent a compromise from the original 2022 proposal and drops that initial provision requiring corporate issuers to disclose emissions from supply chains. Now, registered companies are on the hook for reporting emissions from their operations and energy purchases, or Stage 1 and Stage 2, respectively.

The rule does not directly touch the municipal bond market but some have long feared that this model will eventually be applied to the muni market, either directly or through enforcement and could eventually see Rule 15c2-12 (which lays out specific material events that need to be disclosed) include climate risk events.

"The regulation assumes that investors want more robust and consistent information to assess climate-related risks to make informed investment decisions and price securities," wrote Lisa Washburn, chief credit officer at Municipal Market Analytics. "This may render such climate-related information 'material' under its definition for purposes of the antifraud law."

"Municipal participants should expect that, over time, many of the disclosures outlined in the new rule will be expected from municipal issuers too," Washburn added, expecting that climate related enforcement will follow in the footsteps of issues such as the disclosure of bank loans and enforcement related to MCDC as the Commission's new enforcement strategy du jour.

"Given the keen interest in addressing climate-related disclosure gaps and the rising effects of both acute and chronic climate perils, MMA expects that one of the enforcement approaches is likely to be its first course of action," Washburn wrote.

The disclosures the SEC generally expects from corporate issuers can generally be put into such buckets as the disclosure of climate-related risks and impact on business strategy, financial condition and outlook; governance and risk management of climate-related risks, mitigation and adaptation strategies; scope 1 and scope 2 greenhouse gas emissions; climate goals or targets and the related impact on expenditures; financial impacts from severe weather events or the use of carbon offsets.

The rule also states that the Commission will provide a safe harbor that all information, except for historical fact, will be treated as forward looking.

MMA recommends that municipal issuers begin disclosing information on climate-related risks that have a material impact on finance or operations, a discussion of mitigation or adaptation efforts and related material costs, as well as if and how climate-related risks are identified, assessed and managed.

But there is a chance that the final rules will never be rolled out as proposed. A coalition of states including West Virginia, Georgia, Alabama, Alaska, Indiana, New Hampshire, Oklahoma, South Carolina, Wyoming and Virginia have already sued the Commission, in hopes of showing that the final rule “exceeds the agency’s statutory authority and otherwise is arbitrary, capricious, an abuse of discretion and not in accordance with the law,” the lawsuit said.

“Although not directly applicable, it is an exemplar potentially in our sector,” said Chuck Samuels, member at Mintz Levin and counsel to the National Association of Health & Educational Facilities Finance Authorities. “It’s considerably less burdensome than as proposed. But, there is a substantial possibility this will never be effective between court challenges, the Congressional Review Act, and possible change in Administrations.”

The rule will become effective sixty days after publication in the federal register and compliance dates differ depending on the size of the firm, with the earliest date for large accelerated filers beginning in 2025.

By Connor Hussey

BY SOURCEMEDIA | MUNICIPAL | 03/12/24 02:28 PM EDT

Cybersecurity Disclosure Considerations for Municipal Issuers.

In the Closing Remarks of a Compliance Conference on Dec. 7, the Director of the Office of Municipal Securities of the U.S. Securities and Exchange Commission noted the SEC recently finalized its cybersecurity rule for public companies.

The Director then suggested that “everyone take a minute to review the Adopting Release for the rule because there are some good points on how corporations can handle cybersecurity disclosures that may be useful for municipal market participants.”

While the Commission’s cybersecurity rule does not apply to municipal issuers, below we summarize a few points discussed in the Adopting Release that may be useful for municipal market participants.

If a municipal issuer chooses to voluntarily disclose a material cybersecurity incident, it should consider various factors.

First, the municipal issuer should consider disclosing the nature, scope, and timing of the material cybersecurity incident. Municipal issuers should avoid specific or technical information about a planned response to the incident, its cybersecurity systems, related networks and devices, or potential system vulnerabilities in such detail that it would impede a response or remediation of the incident.

Second, the municipal issuer should consider disclosing the material impact or reasonably likely material impact of the incident (e.g., impact on the financial condition or operations of the municipal issuer), as opposed to the details regarding the incident itself.

Third, the municipal issuer should consider timing of any voluntarily disclosure. Municipal issuers should consider disclosing after it determines the incident is material, as opposed to immediately after the incident occurred.

Fourth, the materiality determination of the incident should be made without unreasonable delay. That said, a reasonable delay could occur, for example, if an incident poses a substantial risk to national security or public safety.

Lastly, the materiality analysis should take into consideration all relevant facts and circumstances surrounding the cybersecurity incident, including both quantitative and qualitative factors. The materiality standard is the traditional notion of materiality that has been articulated by the Supreme Court, as well as in Commission rules (e.g., information is material if there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision).

If a municipal issuer chooses to disclose cybersecurity information in connection with an offering, it should consider disclosing certain matters.

First, the municipal issuer should consider disclosing the process that it may have for assessing, identifying and managing material risk from cybersecurity threats, as opposed to the specifics on how a cyberattack will be remediated.

Second, the municipal issuer should consider disclosing risks from cybersecurity threats, including those resulting from previous incidents, that may have materially affected or are reasonably likely to materially affect the municipal issuer (e.g., operations or financial condition).

Lastly, the municipal issuer should consider whether to disclose consultants or other third parties that may assist with cybersecurity and who is responsible for oversight of risks from cybersecurity threats.

Any cybersecurity disclosure should allow for a reasonable investor to ascertain the cybersecurity practices of the municipal issuer with sufficient detail to understand the municipal issuer's cybersecurity risk profile. Municipal issuers should tailor disclosures so that they provide meaningful cybersecurity information, as opposed to overly descriptive or boilerplate disclosure.

The SEC recognizes that public companies will have differing approaches to cybersecurity disclosure based on their particular facts and circumstances. We hope such recognition will also extend to municipal issuers.

By Sarah Tahir

BY SOURCEMEDIA | MUNICIPAL | 03/14/24 09:39 AM EDT

[Cybersecurity Disclosure Considerations for Municipal Issuers: Bracewell](#)

In the Closing Remarks of a Compliance Conference on December 7, 2023, the Director of the Office of Municipal Securities of the US Securities and Exchange Commission noted the SEC recently finalized its cybersecurity rule for public companies. The Director then suggested that “everyone take a minute to review the Adopting Release for the rule because there are some good points on how corporations can handle cybersecurity disclosures that may be useful for municipal market participants.”

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March 14 2024

[A Refresher on Selective Disclosure and Anti-Fraud Rules: Frost Brown Todd](#)

What Is Selective Disclosure?

The desire of investors to obtain additional information regarding issuers and conduit borrowers of municipal securities must be weighed against what can be provided to them without violating the U.S. Securities and Exchange Commission's (SEC) rules. While there is no direct guidance on the application of selective disclosure rules to municipal securities, guidance may be drawn from SEC enforcement actions in this area and how the law is applied to other types of securities.

Selective disclosure may occur when only certain investors are provided material non-public information. Information is material if there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision and view it as having significantly altered the information currently available. SEC Rule 10b-5 prohibits organizations, including municipalities, from making false statements and omitting material information and applies both during and after the issuance of securities. It is imperative for issuers and conduit borrowers of municipal securities to understand what disclosures could result in selective disclosure or violate the anti-fraud rules.

Selective Disclosure and Violation of Anti-Fraud Rules Scenarios

A violation of the anti-fraud rules occurs when an organization provides inaccurate information about financial conditions to investors with the hope of obtaining favorable results. An organization also violates anti-fraud rules when it fails to provide adequate information to investors and leaves them to rely on potentially inaccurate public statements. The following are examples of violations of anti-fraud rules:

[Continue reading.](#)

Frost Brown Todd LLP – Glorify Batsirai Mandima, Carrie J. Cecil

March 14 2024

[MSRB Research Examines Trading Patterns in the Municipal Securities Market.](#)

Washington, D.C. — The Municipal Securities Rulemaking Board (MSRB) today published a new research report that examines trading patterns in the municipal securities market. The analysis reviews the fragmentation in the market and the depth and breadth of data available to market participants.

"While there are nearly a million securities outstanding in the municipal securities market today, only about 2% of those securities traded on an average day in 2023, while only 1% traded in 2021,"

said Marcelo Vieira, MSRB Senior Director of Research and Market Transparency. “This is important information for market participants to be aware of as they navigate this unique market.”

The MSRB’s analysis reviewed municipal securities trade data from two contrasting years, 2023, which had record-high trade count, and 2021, which had a record-low number of trades. The report reveals that about two-thirds of the securities that trade on an average day do so only once or twice. Additionally, almost 40% of the trades that occur on an average day have no prior trades in that security on the same day. This means that investors may have limited information to reference at the time of trade for the security they want to buy or sell.

“With a limited number of trades per individual bond, and a small percentage of outstanding securities trading daily, investors may want to review similar securities to inform their investment decisions,” said Vieira.

In the report, the authors note that the municipal market is heavily reliant upon market tools such as yield curves and evaluated pricing to function efficiently. Often the entities that provide these market tools eliminate trades smaller than \$500,000 or even \$1 million from consideration. This means that many of the market tools market participants may rely upon are based on only 4-6% of the trades reported to the MSRB.

The MSRB offers free access to several municipal yield curves and other investor tools on its MSRB’s Electronic Municipal Market Access (EMMA®) website. One of the most used tools is one that allows users to compare different securities.

[Read the report.](#)

Date: March 05, 2024

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[In Surprise Move, Rand Paul Targets Fed's Municipal Liquidity Facility.](#)

The Federal Reserve’s dormant emergency lending program for state and local governments set up during the COVID-19 pandemic had a surprise return to the spotlight last Friday when Sen. Rand Paul, R-Ky., introduced a measure banning the central bank from reviving the program or buying municipal bonds in the future.

“It was never intended that Congress give the Fed the power, and we should make sure that it is explicit that the Federal Reserve cannot buy the debt of individual states,” Paul said Friday from the Senate floor when introducing the provision as an amendment to the fiscal 2024 continuing appropriation.

The measure appears aimed at the Fed’s Municipal Liquidity Facility established in spring 2020 at the onset of the COVID-19 pandemic. His office did not return calls for comment. A press release said the measure “would prevent government bailouts of mismanaged states” and “prevents the central bank from circumventing Congress to unilaterally provide a financial bailout of profligate states, the costs of which would be borne by the taxpayers through the form of forced subsidized losses or through the hidden tax of inflation.”

Muni advocates including the Government Finance Officers Association were taken by surprise, said GFOA federal liaison Emily Brock.

"No one in our coalition was aware this would be introduced," Brock said. The amendment failed, but could pop up again, Brock warned. The GFOA has asked to meet with Rand's office to discuss the measure.

"As long as there's a permanent spending bill still lingering out there, I think it will come up again," she said.

The Fed launched the MLF in April 2020 as part of the CARES Act, the first of three rounds of federal rescue aid packages. The emergency program was aimed at bolstering cash-strapped issuers who might have a tough time entering a volatile market that had seen base municipal bond index yields rise by more than 225 basis points in nine trading days.

The MLF was able to purchase up to \$500 billion of three-year notes from states, counties with a population of at least 500,000 residents, and U.S. cities with a population of at least 250,000 residents.

Only Illinois and New York's Metropolitan Transportation Authority ended up tapping the program, with Illinois borrowing \$3.2 billion in two installments and the MTA borrowing \$3.5 billion in two installments.

The MLF expired in December 2020, although former U.S. Treasury Secretary Steven Mnuchin said at the time that the facilities could be reestablished by "having the Federal Reserve request approval from the Secretary of the Treasury and, upon approval, the facilities can be funded with Core ESF (Exchange Stabilization) funds, to the extent permitted by law, or additional funds appropriated by Congress."

Rand's amendment would prohibit the central bank from establishing "any emergency lending program or facility ? that purchases or sells any security issued by a state or a municipality, including a bond, note, draft or bill of exchange," and block the bank from buying or selling any of the same securities.

Paul - a well-known anti-national debt hawk - reportedly insisted that his amendment be considered before he would support the fiscal 2024 short-term funding bill to avert a government shutdown. Congress this week is set to approve the appropriation legislation and then will take up a second package before March 22.

"We now know that the Federal Reserve is not only buying the federal debt; they are buying the debt of profligate, large-spending states like California, New York, and Illinois," Paul said on the floor when introducing the amendment. "My amendment would make it explicitly illegal for the Federal Reserve to buy the debt of these big-spending, profligate individual states.

Minnesota Democratic Sen. Tina Smith responded that "tying the Fed's hands" would be dangerous.

"Congress has given the Fed the flexibility to transact in state and local bonds because we knew that it could be an important and helpful tool in times of an emergency," Smith said. "Preventing emergency programs outright would be dangerous and unnecessary."

The amendment garnered 37 yes votes, all from Republicans. Supporters included Senate Majority Leader Mitch McConnell, R-Ky., as well as Sen. John Thune, R-S.D., and Sen. John Cornyn, R-Texas. The nays totaled 53, and 10 senators did not vote.

Paul's comments on the Senate floor were "hyperbolic" as well as "curious and disturbing," said Kent Hiteshew, former deputy associate director of the Fed's Division of Financial Stability.

"The Fed has used its emergency statutory authorities to make loans to municipal governments only twice in its more than 100-year history – both back-stopped by Congressional appropriations during COVID," Hiteshew said, noting that both loans were repaid on or before their due dates.

"In my view, it is doubtful that the Fed would use such powers again in the future absent similar existential threats to the economy and capital markets," he said. "Nevertheless having such authority and independence would be crucial in such circumstances."

Issuers groups like the National Association of State Treasurers have in the past advocated for the MLF to become permanent. NAST declined to comment on Paul's amendment, as did the Bond Dealers of America. The GFOA never lobbied for an extension of the program, Brock said, but doesn't want to see the Fed prohibited from emergency lending programs.

"We saw it as an infusion that was necessary at the time that was designed as a temporary stopgap and it was effective – it was very clear that our market has determined it was effective," Brock said.

By Caitlin Devitt

BY SOURCEMEDIA | ECONOMIC | 03/06/24 10:17 AM EST

[Sen. Rand Paul Proposes Ban on Federal Reserve's Municipal Bond Purchases, Sparking Debate](#)

Sen. Rand Paul introduces a measure to ban the Federal Reserve's municipal bond emergency lending, igniting debate on its economic role.

On a recent Friday, Sen. Rand Paul, R-Ky., introduced a controversial measure that could significantly impact the Federal Reserve's ability to support state and local governments during financial crises. Paul's amendment seeks to ban the central bank from reviving its emergency lending program for municipal bonds, established during the COVID-19 pandemic, or engaging in future municipal bond purchases. This move has reignited discussions on the Fed's role in stabilizing the economy, with implications for states and municipalities nationwide.

Background and Immediate Reactions

The Federal Reserve's Municipal Liquidity Facility (MLF), created as part of the CARES Act in spring 2020, was designed to aid cash-strapped states, counties, and cities by purchasing up to \$500 billion of three-year notes. This emergency measure, which expired in December 2020, was only utilized by Illinois and New York's Metropolitan Transportation Authority. Paul's amendment, framed as a safeguard against government bailouts of "mismanaged states," has surprised many, including municipal bond advocates like the Government Finance Officers Association (GFOA), who were unaware of the proposal's introduction.

Legislative Responses and Debates

Despite the amendment's failure, with 37 yes votes exclusively from Republicans, the proposal has stirred a bipartisan debate on the Federal Reserve's flexibility in times of crisis. Critics, including

Minnesota Democratic Sen. Tina Smith, argue that restricting the Fed's emergency powers could be dangerous, emphasizing the necessity of such tools in unforeseen emergencies. Proponents of the amendment, however, view it as a crucial step towards fiscal responsibility and preventing unchecked bailout powers.

Implications for the Future

The debate over the Federal Reserve's emergency lending capabilities raises important questions about the balance between fiscal responsibility and the need for robust economic safety nets. While the amendment did not pass, its introduction and the subsequent discussions underscore the ongoing tension between different visions of economic governance. As the GFOA and other organizations seek dialogue with lawmakers, the future of the Federal Reserve's role in state and municipal finance remains uncertain, highlighting the need for a nuanced approach to economic policy in times of crisis.

bnnbreaking.com

BNN Correspondents

06 Mar 2024

[MSRB Publishes 2023 Fact Book of Municipal Securities Data.](#)

Washington, DC — The Municipal Securities Rulemaking Board (MSRB) today published its [annual Fact Book](#), the definitive compilation of the most recent five years of statistics on municipal securities market trading, interest rate resets and disclosures. The 2023 Fact Book includes monthly, quarterly and yearly aggregate market information from 2019 to 2023, which can be analyzed to identify market trends.

"This is the 16th year the MSRB has published its annual Fact Book, which municipal market participants continue to rely upon to better understand emerging and long-term trends within the municipal securities market," MSRB Senior Director, Research and Market Transparency Marcelo Vieira said. "We are pleased to release this information to the market annually as it provides added context and transparency for market participants, policymakers and the public."

Statistics provided in the 2023 Fact Book validate trends highlighted in the MSRB's [2023 Municipal Market Year in Review](#). Most notable of these trends are the significant interest rate volatility and the record trading volume driven by strong demand from individual investors.

In addition to compiling quarterly and annual statistics, the MSRB regularly conducts independent research and analysis to support the understanding of municipal securities market trends. Much of this research is based on real-time municipal securities trade data the MSRB collects, along with primary market and secondary market disclosures, which it makes available for free to the public on its Electronic Municipal Market Access (EMMA®) website.

Date: February 29, 2024

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Solicitor Municipal Advisors On Watch With New MSRB Rule G-46 In Place.

After years of soliciting market feedback, new Municipal Securities Rulemaking Board Rule G-46 on the duties of solicitor municipal advisors is in effect as of March 1, setting the stage for closer scrutiny from both municipal advisors and the Securities and Exchange Commission.

Solicitor municipal advisors are a much smaller crowd than traditional municipal advisors and only solicit for pension funds, though some MAs do both kinds of work. For those that do, new policies and procedures will need to be put into place.

“While the rule is especially important for those professionals that solicit for pension funds, it could potentially impact MAs and other regulated entities,” said Susan Gaffney, executive director of the National Association of Municipal Advisors. “If MA firms are engaging in solicitor MA activity, as outlined in the rule, it will be important for firms to develop necessary policies and procedures to comply with the Rule’s standard of conduct and recordkeeping requirements.”

Specifically, the rule defines solicitor MA activity as an entity in direct or indirect communication with a municipal entity or obligated person, for direct or indirect compensation, on behalf of an MA or investment advisor that is a third party and not controlled by the MA firm, for the purpose of obtaining or retaining an engagement by a municipal entity or obligated person of a municipal advisor, and if the engagement does not include excluded communications, as defined in Rule G-46.

It could also include recommending another MA or investment advisor for compensation, directly or indirectly and encompassing quid pro quo arrangements or unrequested gifts to a municipal entity involved in an issuance, NAMA said in a compliance release.

If applicable, solicitor MA activity would also have to include disclosures to solicitor clients, documentation of the solicitor relationship, representations to solicited entities, disclosures to solicited entities, timing and manner of disclosures and certain prohibitions.

MAs and solicitor MAs came under the MSRB’s purview following the passing of Dodd-Frank more than a decade ago, but this is the first time specific solicitor MA standards of conduct will also be scrutinized by the SEC. In its 2024 exam priorities, the SEC made a particular point of drawing attention to the new rule.

“Examinations of solicitor municipal advisors during the second half of fiscal year 2024 will focus on compliance with new MSRB Rule G-46,” the SEC said. That will be part of its efforts to look at MAs as a whole and whether they’ve fulfilled their fiduciary duty to clients, “particularly when providing advice regarding the pricing, method of sale and structure of municipal securities,” the Commission added. “Examiners will review whether municipal advisors are complying with their obligations to document municipal advisory relationships and disclose conflicts of interest and requirements related to registration, professional qualification, continuing education, recordkeeping and supervision.”

On the Form MA, or the application for municipal advisor registration, solicitor MAs is just another box that may have been checked if a registering MA wasn’t exactly clear on the definitions. NAMA suggests going back to review those materials, now that there are new and clear definitions.

“We’ve also been telling our members if you’re not a solicitor, uncheck the box because we’ve heard from exams that they will be looking at the population of solicitor MAs that are self identified on Form MA and focus exam efforts on that in this year,” Gaffney said.

By Connor Hussey

BY SOURCEMEDIA | MUNICIPAL | 03/01/24 11:40 AM EST

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