



SEC's Final Municipal Advisor Registration Rules Take Effect July 1, 2014

On Sept. 18, 2013, the Securities and Exchange Commission (SEC) adopted its final rule on the permanent registration of municipal advisors. The final rule went into effect July 1, 2014. The new requirements, together with other reforms, are designed to address some of the concerns associated with the previously unregulated industry, including “pay to play” practices, undisclosed conflicts of interest, inadequate training of advisors and the failure of advisors to place the municipal entity’s interests ahead of their own. The Municipal Advisor Rule defines the fiduciary duty of Independent Registered Municipal Advisors (IRMA) to their issuer and borrower clients. As an IRMA, McGuire Sponsel sole mission is to serve the best interest of our clients at all times.

The SEC Municipal Advisor Rule FAQ's

1. Why the new rule?

One of the objectives of the rule is to address conflicts of interest by preventing broker-dealers who advise municipal borrowers from profiting from the products they recommend.

2. How does the rule work?

Broker-dealers who discuss customized products will be viewed as giving advice and required to register as municipal advisors. Registration imposes various standards that most broker-dealers are unwilling or unable to meet. As a result, most broker-dealers are expected to avoid communications that could be construed as advice under the new rule.

3. What communications from broker-dealers could be viewed as advice?

The rule defines advice as any communications about municipal products, if tailored to the nonprofit’s situation. This includes presentations, proposals and discussions about services such as bond underwriting and related products. General information (firm qualifications, market updates) will still be allowed.

4. What products and services are targeted by the rule?

The rule targets most municipal finance products including bond underwriting and related areas such as disclosure and rating agencies.



McGuire Sponsel qualifies under the IRMA exception to the SEC’s new Municipal Advisor rule and allows borrowers to maintain full communication with broker-dealers.

– Doug Dalton
Principal
McGuire Sponsel



5. Are there exceptions to the rule?

Yes. Broker-dealers are allowed to communicate in four situations: the nonprofit has hired an independent registered municipal advisor (IRMA); the information is general and not tailored to a specific situation; the firm has been hired as underwriter for a specific transaction; or an RFP was sent out.

6. What can nonprofits do to allow communications with underwriters?

The simplest way to keep ideas flowing when the rule takes effect is for the nonprofit to retain an independent registered municipal advisor (IRMA), one of the exceptions. The engagement must be in writing and cover the specific products expected to be discussed with underwriters.

McGuire Sponsel is a qualified IRMA and is registered with the SEC and MSRB. Hiring McGuire Sponsel as independent municipal advisor will qualify the nonprofit under the IRMA exception and will ensure that the nonprofit continues to receive ideas from bankers.

