



October 23, 2009

Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

Re: Proposed Amendment to Municipal Securities Disclosure,  
Exchange Act Release No. IA-2910 (File No. S7-18-09)

Dear Ms. Murphy:

The Municipal Securities Rulemaking Board (the “MSRB”)<sup>1</sup> appreciates the opportunity to comment on the Securities and Exchange Commission’s (the “Commission”) release on its proposed rule regarding political contributions by certain investment advisers.<sup>2</sup> The proposed rule would prohibit an investment adviser from providing advisory services for compensation to a government client for two years after the adviser or certain of its executives or employees make a contribution to certain elected officials or candidates. The proposed rule would also: a) prohibit an adviser from providing or agreeing to provide, directly or indirectly, payment to any third party for a solicitation of advisory business from any government entity on behalf of such adviser; b) prevent an adviser from soliciting from others, or coordinating, contributions to certain elected officials or candidates or payments to political parties where the adviser is providing or seeking government business; and c) require a registered adviser to maintain certain records of the political contributions made by the adviser or certain of its executives or employees.

The MSRB strongly supports the Commission’s efforts in this area and believes that they are fully consistent with the MSRB’s successes in severely curtailing pay-to-play practices in the municipal securities market. The MSRB’s statutory mandate is to establish a regulatory structure for brokers, dealers and municipal securities dealers (“dealers”) effecting transactions in municipal securities. The MSRB’s rules are

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<sup>1</sup> The MSRB is a self-regulatory organization established by Congress in the Securities Acts Amendments of 1975 to write rules with respect to transactions in municipal securities effected by brokers, dealers and municipal securities dealers.

<sup>2</sup> Investment Advisor Act Release No. 2910 (August 3, 2009); 74 FR 39840 (August 7, 2009).

designed to, among other things, prevent fraudulent and manipulative acts and practices, promote just and equitable principles of trade, perfect a free and open market, and protect investors and the public interest. To ensure that the high standards and integrity of the municipal securities industry are maintained, in 1994, the MSRB adopted Rule G-37, on political contributions and prohibitions on municipal securities business, to address concerns that political contributions could be influencing the awarding of municipal securities business by state and local governments to dealers.<sup>3</sup> MSRB Rule G-37 generally prohibits dealers from engaging in municipal securities business with state and local government issuers for a two-year period if certain political contributions have been made to officials of such issuers by the dealer, a municipal finance professional of such dealer or a political action committee controlled by the dealer or its municipal finance professional. MSRB Rule G-37 also prohibits certain solicitations of political contributions to officials of an issuer and payments to state and local political parties within the jurisdiction of the issuer if a dealer is currently engaged in or seeking to engage in municipal securities business with such issuer. In addition, the rule requires dealers to record such contributions to issuer officials and payments to political parties and to disclose dealers' contributions, payments and municipal securities business on MSRB Form G-37, which is made available to the public at no charge at the MSRB's website at [www.msrb.org](http://www.msrb.org).

The MSRB adopted Rule G-38 to prevent dealers from circumventing Rule G-37 through the use of third-party consultants. As originally adopted, MSRB Rule G-38 required dealers to publicly disclose the use of such consultants to obtain municipal securities business on behalf of dealers, and later to publicly disclose certain political contributions and payments to political parties made by such consultants. Due to concerns regarding questionable practices by some consultants and a determination by the MSRB that it would be in the public interest to make the process of soliciting municipal securities business fully subject to the MSRB rules of fair practice and professionalism, the MSRB rescinded its original rule in 2005 and adopted new Rule G-38, on solicitation of municipal securities business, to prohibit dealers from using paid third-party consultants to obtain municipal securities business on their behalf.

The MSRB believes that Rule G-37 and Rule G-38 have been critical tools for effectively maintaining the integrity of the municipal securities market and protecting investors and the public interest. The MSRB applauds the Commission for seeking to extend the protections afforded by the MSRB's pay-to-play rules to investment advisory services provided to state and local governments.

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<sup>3</sup> MSRB Rule G-37 generally defines municipal securities business to include underwriting and certain other primary market activities with or on behalf of an issuer obtained on other than a competitive bid basis.

