



Invested in America

1 Good morning and thank you for the opportunity to be here.

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3 My name is Bill Henderson and I am a Managing Director in Public Finance

4 Investment Banking at Piper Jaffray, a leading middle-market investment bank

5 and asset-management firm. I am here today representing the Securities Industry

6 and Financial Markets Association, or SIFMA.

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8 I have 28 years of experience providing financial advisory and underwriting

9 services to governmental and not-for-profit borrowers throughout the Midwest. I

10 oversee the activities of the Kansas City, St. Louis, Milwaukee and Des Moines

11 public finance offices of Piper Jaffray.

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13 Given our limited time today, I would like to highlight several key points related

14 to the municipal bond market and particularly, small issuers.

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16 The U.S. municipal bond market is broad and diverse. It includes frequent issuers

17 who come to the capital markets multiple times a year, large issuers whose

18 transactions can exceed a billion dollars and whose bonds have been marketed

19 globally. It includes small issuers who sell just a few million bonds every few

20 years, as well as one-time issuers who never intend to issue bonds after their first

21 sale, and everything in between.

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1 The definition of small issuer is not even clear. To some, a small issuer might
2 mean a city that sells \$25 million bonds per year. To others, it might be a school
3 district that sells \$3 million bonds once every five years. One could argue that
4 Carrollton, Texas, ably represented at this hearing, with a population of 122,000,
5 is not a small issuer in comparison to many other communities that sell bonds.

6

7 We believe that the SEC and other regulators should take care not to impose rules
8 which would impede the ability of municipal bond issuers of all sizes to access the
9 market efficiently and cost-effectively.

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11 We understand that some commissioners and staff may be of the opinion that
12 small issuers need greater regulatory protection from dealers, advisors and
13 others than large issuers. It is important that issuers of any size have the
14 knowledge and ability to understand not only the financial terms and impacts of
15 the transactions they undertake but also the responsibilities that come with
16 borrowing in the capital markets. If an issuer does not, they can seek the
17 assistance of an advisor that will guide them in the transaction or pursue other
18 alternatives for borrowing. Regulations should not discriminate against issuers
19 based only on size.

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1 In the securities business, our philosophy is that we serve our clients regardless
2 of the size of the deal or issuer. We want a state government borrowing \$500
3 million to fund a roads project or a community that is borrowing \$3 million to
4 build a new water tower project both to get the best financing possible. We try to
5 ensure that an Issuer's needs are measured against the depth and breadth of the
6 investor market, so that the best financing outcome can be achieved for all parties.

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8 To achieve that goal, a banker needs to bring significant knowledge and expertise
9 to the relationship. Bankers often provide market color, suggest financing
10 alternatives and timing for transaction pricing, provide indications of investor
11 demand, outline refunding options and provide other value-added functions.

12 SIFMA has concerns with several pending regulatory proposals.

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14 We have several concerns about the SEC's proposed rule related to the
15 registration of municipal advisors under the Dodd-Frank Act. The proposal
16 appears to go far beyond Congress' intent in enacting Section 975 of the Dodd-
17 Frank Act: to bring previously unregulated municipal financial advisors under a
18 regulatory umbrella.

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20 The proposal also seems to take an overly broad approach to what activities
21 contribute to being a "municipal advisor." Traditional investment banking

1 services such as responding to requests for proposals, providing deal ideas and
2 information, structuring escrows and other funds, and other functions which form
3 the basis for any good investment banking relationship with an issuer client
4 should never cause a banker to become an advisor and have a fiduciary duty
5 toward the issuer. Unfortunately, a fiduciary relationship between an
6 underwriter and issuer is unworkable once the process comes to the price
7 negotiation. Effectively prohibiting underwriters from providing ideas and
8 information to issuers is contrary to the interests of issuers.

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10 SIFMA has submitted a detailed comment letter on the advisor proposal and we
11 have had several follow-up meetings with Commissioner Walter and SEC staff on
12 the issue. We are hopeful the SEC will revise its proposal before it is final to
13 address our concerns.

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15 Thank you for the opportunity to present our views. I look forward to your
16 questions.

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