

United States House of Representatives
Committee on Financial Services
Washington, D.C. 20515
February 23, 2011

The Honorable Mary L. Schapiro
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Schapiro:

Section 975 of the Dodd-Frank Act (P.L. 111-203) directs the Securities and Exchange Commission ("SEC") to establish an effective registration and examination program for municipal financial advisors. I am supportive of the SEC's efforts to police this segment of the municipal market, particularly as I have closely followed the effects on Jefferson County, Alabama in my congressional district. Jefferson County's financial woes can partially be attributed to unscrupulous municipal advisors who pocketed the lucrative fees associated with the county's sewer bond offerings while ignoring the welfare of the taxpayers. Unfortunately, even though I agree with the goal, I cannot support the proposed rules 15Ba1-1 through 15Ba1-7, which are overly broad and would reach significantly more people than Congress intended.

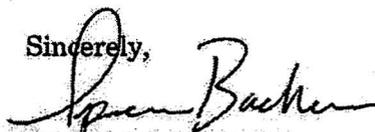
On May 21, 2009, during a Financial Services Committee hearing, I questioned the head of the SEC's Office of Municipal Securities, Ms. Martha Haines, about how quickly the SEC could establish an effective registration and examination program for municipal advisors. Ms. Haines responded that, "I am sure we could do it very promptly. There are really not all that many non-broker-dealer financial advisors. There are approximately 260 and so it should not be a huge undertaking." Unfortunately, contrary to Ms. Haines' testimony, the Commission's proposal to implement Section 975 will require a huge undertaking given the thousands of individuals who would qualify as a municipal advisor.

For example, the proposed rule would require appointed, non-*ex officio* municipal board members and officials to register with the SEC. Many small towns frequently appoint rather than elect their municipal administrators. Similarly, boards of trustees of public universities are appointed. Forcing these individuals, who often volunteer their time and expertise, to register with the SEC, would create a significant disincentive for qualified individuals to serve our communities. Additionally, the broad definition of "municipal financial products" combined with the failure to define "advice" would result in thousands of bank employees who conduct routine business with municipal entities having to register with the SEC. Finally, the SEC has ignored an explicit exemption contained in Section 975 for "engineers providing engineering advice" to municipal entities.

In developing rules under Section 975, the Commission must strike a balance that ensures that the 260 "non-broker-dealer financial advisors" referenced in Ms. Haines' testimony register with the SEC but does not force thousands of unsuspecting individuals to comply with yet another regulatory burden that would be detrimental to the very municipal entities we are trying to protect.

Thank you for your attention to this important matter.

Sincerely,


SPENCER BACHUS
Chairman

ES/37506
RECEIVED
2011 FEB 23 PM 4:41
CHAIRMAN'S
CORRESPONDENCE UNIT