

Congress of the United States
Washington, DC 20515

September 13, 2013

Commissioner Kara M. Stein
Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549

Commissioner Michael S. Piwowar
Securities and Exchange Commission
100 F. Street, NE
Washington, DC 20549

Dear Commissioner Stein and Piwowar:

Congratulations on your confirmation as Securities and Exchange Commission (“SEC”) Commissioner. As you begin your tenure at the SEC one of the first issues you are likely to encounter is the agency’s consideration of a final rule defining Municipal Advisors (“MA”). As you and your colleagues on the SEC work to finalize the MA rule, we urge you to adopt a rule that reflects congressional intent and establishes appropriate distinctions among various participants in the municipal securities market.

The municipal securities market is the primary tool state and local governments use to finance schools, roads, water and sewer systems, airports and other important public infrastructure. In order to ensure that states and localities have ready access to capital at an appropriate cost, it is vital that the market operates fairly and efficiently.

In general, MAs are consultants who provide advice to state and local governments with respect to bond issuance, use of derivatives and other financial activities. Congress enacted Section 975 of the Dodd-Frank Act (“DFA”) due to the concern that by allowing some advisors to remain unregulated threatened the dependability of the municipal market. MAs who are not also brokers, dealers or municipal securities dealers were wholly unregulated before the enactment of the DFA. Section 975 of DFA directs the SEC to specify a definition and means of registration for MAs.

In September 2010, the SEC adopted an interim final rule establishing a temporary definition and means of registration for MAs, originally scheduled to expire on December 31, 2011, (SEC File No. S7-19-10, Release No. 34-62824, September 1, 2010). In December 2011 the Commission extended the expiration date to September 30, 2012, (SEC File No. S7-19-10, Release No. 34-66020, December 21, 2011) and in September 2012 again extended that temporary rule through September 2013 (SEC File No. S7-19-10, Release No. 34-67901, September 21, 2012).

In December 2010, the SEC proposed new rules 15Ba1-1 through 15Ba1-7 and related new forms to establish a final MA definition and registration process (SEC File No. S7-45-10, Release 34-63576, December 20, 2010). Unfortunately, the SEC’s proposed MA rule went far

beyond the intent or authority of the statute in its scope. Rather than focusing on previously unregulated non-dealer municipal advisors as Congress intended, the December 2010 proposed rule would capture activities and entities as broad and varied as appointed, unpaid members of state and local governing bodies, bond underwriters, banks providing traditional banking products and services and others.

The SEC has received over 1,200 comment letters on its proposed MA rule overwhelmingly opposed to all, or parts of the proposal, including comments from hundreds of state and local officials, whom the MA provisions of the DFA is designed to protect. While Chairman White has recognized that the SEC is likely to make significant changes to the proposed MA rule before it is finalized, significant open questions remain.

In February, we introduced the Municipal Advisor Oversight Improvement Act of 2013, H.R. 797, legislation designed to ensure that Congress' intended scope of Section 975 of the DFA is clear. H.R. 797 is identical to legislation, which in the last Congress, the House Financial Services Committee approved unanimously and the full House of Representatives passed by voice vote. Our bill is bipartisan and has broad support from stakeholders. H.R. 797 would ensure that MAs continue to operate under a fiduciary duty to their state and local government clients and would capture any entity that provides MA services within the MA definition. It would, however, exclude entities like banks, broker-dealers and others when not providing MA services from the definition of a municipal advisor. Our legislation draws the appropriate lines among the services and parties active in the municipal securities market. In short, our legislation provides a model that reflects Congress' original intent in drafting Section 975 of the DFA.

It has been over three years since the DFA was enacted. The SEC has already extended the temporary MA rule twice, and the current deadline for the expiration of the temporary rule is fast approaching. As you and your colleagues work to complete the MA rule, we urge you to ensure that the final rule respects the vital roles that various municipal securities market participants play in the state and local government financing process. The SEC's MA rule should protect states and localities without threatening the ability to finance infrastructure as efficiently as possible.

Sincerely,



Steve Stivers
Member of Congress



Gwen Moore
Member of Congress