Government Finance Officers Association
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June 15, 2015

Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: SR–MSRB–2015–03

Dear Mr. Fields,

The Government Finance Officers Association (GFOA) appreciates the opportunity to provide comments to the SEC regarding Proposed MSRB Rule G-42 on the duties of non-solicitor municipal advisors, and is supportive of rulemaking to ensure the duties of municipal advisors are understood by issuers and other market participants. The GFOA is the professional association of state, provincial and local finance officers in the United States and Canada. The GFOA has served the public finance profession since 1906 and continues to provide leadership to government finance professionals through research, education and the development of best practices on all areas of government finance, including disclosure related to the issuance of municipal securities. Our more than 18,000 members are dedicated to the sound management of government financial resources.

Members of GFOA's Committee on Governmental Debt Management (Debt Committee), a geographically and organizationally diverse group of 25 municipal securities issuers, were consulted in preparing this comment letter. Below are the Committee's comments on SR–MSRB–2015–03.

Recommendations and Review of Recommendations of Other Parties

Under this section of the proposed rule the MSRB would require municipal advisors to inform clients of the basis for which the advisor believed that the recommended transaction or product *was or was not* suitable for the client. This language implies that municipal advisors would be permitted to make a recommendation to a client that is unsuitable, which seems contrary to the proposed rule's duty of care and loyalty requirements. The GFOA requests that the MSRB provide clarity on this point, and recommends that language be included under the duty of care and loyalty section of the proposed rule that would prohibit municipal advisors from recommending unsuitable transactions or products.

Municipal Advisory Relationship and Related Documentation

The proposed rule would require a municipal advisory relationship to be documented in writing, and include as part of that writing, information specifying where the client could electronically access the municipal advisor's most recent Form MA and Form MA-I. This seems unnecessarily burdensome. The GFOA requests that the proposed rule be amended to include

language requiring municipal advisors to provide, as part of the written documentation of a relationship with a client, copies of the Form MA-Is, rather than only providing information about the location of these forms. Currently it is very difficult and time consuming process to find a readable copy of an individual's Form MA-I on the SEC's website. This task will prove even more difficult for smaller governments with limited staff resources. Because important information about individuals' legal and regulatory history is found on the Forms MA-I, it will be important for municipal advisors to provide these forms to their clients rather than making clients search for them.

The proposed rule should also be amended to further reduce burdens on issuers by only requiring municipal advisors to notify clients of changes to Form MA that are material to its client, and then providing issuers with the updated Form MA-I and explaining how any changes made to the form materially pertain to the nature of the relationship between the MA and the client. This change will ensure that issuers are provided with disclosures that affect them directly, rather than being inundated with notifications about changes made to lengthy documents that may not be material.

Duty of Care – Supplementary Material .01

While the GFOA is generally supportive of the proposed rule's Duty of Care provisions, we do have some concerns with how some provisions in this section could result in cost increases for issuers. Since finance officials have a duty to their government, and most of the financial information about the government is public, adding an additional requirement on advisors to investigate the information provided to them by the client may be excessive. As with all regulations imposed on municipal advisors and broker/dealers, we ask that the regulators be cognizant that excessive and unnecessary regulations may result in cost increases to these professions, which may be transferred to issuers. As GFOA has commented in the past, we do not support having direct or indirect regulator fees passed through to governments.

Prohibition on Principal Transactions Related to Investment Advice

The GFOA appreciates the clarification provided over the course of the MSRB's development of this proposed rule on principal transactions. In reviewing the MSRB's most recent proposal, the GFOA recommends that the proposal modify language in (e)(ii) which would prohibit brokers from selling securities to municipal entity clients if the broker has provided advice to the client that is ancillary to its brokerage activity. The GFOA is concerned with this subsection because it would bar brokers from making investment recommendations and then selling the investment to an issuer. This prohibition could force small governments to open a more expensive fee-based arrangement with an investment advisor in order to receive this very limited type of advice on investments that are not risky. While the principal ban makes sense in the context of traditional financial advisors, it is unclear what abuse the proposed rule is trying to solve for in the case of brokerage of bond proceeds investments.

Thank you again for the opportunity to comment. Please feel free to contact me at [redacted] or [redacted] if you have any questions on the information provided in this letter.

Sincerely,

Dustin McDonald
Director, Federal Liaison Center
Government Finance Officers Association