



**Government Finance Officers Association**

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December 1, 2015

Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

**RE: SR-MSRB-2015-03**

Dear Secretary,

The Government Finance Officers Association (GFOA) appreciates the opportunity to provide comments to the SEC on the Municipal Securities Rulemaking Board's (MSRB) November 9 Notice of Filing of Amendment No. 2 to Proposed Rule Change for Proposed New Rule G-42, on Duties of Non-Solicitor Municipal Advisors. 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.

**Prohibition on Principal Transactions Related to Investment Advice**

GFOA appreciates the effort the MSRB has made to try to be responsive to GFOA's comment on the principal ban in the previous version of proposed MSRB Rule G-42. However, GFOA is concerned that the exceptions to the principal ban in supplementary material .14 of amendment 2, particularly .14(d)(2), will be so complex and burdensome to brokers and issuers that any relief they are designed to create will be illusory. That has proved to be the case with similar requirements that apply to principal transactions by investment advisers. GFOA's concern, as expressed in its earlier comment letter, is that all of these restrictions and added costs will make it likely that even more firms will decide simply to not handle investments of bond proceeds or require their municipal entity clients to open more expensive advisory accounts. GFOA reiterates its earlier request that brokers who provide advice on the investment of bond proceeds that is ancillary to their brokerage services simply be exempt from the principal ban in MSRB Rule G-42.

GFOA has questions about the language of supplementary material .14. We note that we are focused on whether the first alternative in .14 is workable for dealers, because we view the second alternative as so complex that brokers will not attempt to use it. First, is the consent

required by .14(d)(1) required to be made in writing or can it be made orally? .14(d)(2)(C) is specific on that point, but .14(d)(1) is not. If a writing is required, will an exchange of emails satisfy the disclosure and consent requirements of .14(d)(1)? If an email exchange is sufficient the first alternative may be workable, but we would need feedback from dealers before reaching that conclusion. Second, we would appreciate clarification that a broker-dealer that has provided advice to a municipal entity based on one of the exemptions or exclusions to the municipal advisor rule (e.g., the underwriter exclusion) would be able to sell investments of bond proceeds to that municipal entity as a principal, assuming that the requirements of supplementary material .14 are met.

GFOA is also concerned that the other provisions of Rule G-42 would still apply to brokers selling investments of bond proceeds, and as a result could dissuade brokers from offering investment advice to issuers. For example, if the disclosures and consents required by supplementary material .14 are made, why would separate conflicts disclosures and an engagement letter be necessary? Similarly, why should MSRB Rule G-3 require(d)(ii) require a broker to take a separate licensing exam (Series 50) simply to sell Treasuries, agencies, and corporate debt securities when bond proceeds are invested, while the Series 7 suffices for the same broker to sell the same securities to a municipal entity when the funds invested are not bond proceeds? Again, GFOA is raising these concerns in an effort to ensure that G-42 enables governments, particularly smaller jurisdictions, to obtain investment advice at reasonable costs and that any exceptions to the rule do not result in increased costs for or the loss of these services.

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