



National Association of Municipal Advisors
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September 18, 2015

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

RE: SR-MSRB-2015-08

Dear Secretary of the SEC:

The National Association of Municipal Advisors (NAMA) appreciates the opportunity to comment on Amendments to MSRB Rule A-12 on Registration. NAMA represents municipal advisors (MAs) from throughout the country and is dedicated to ensuring that municipal advisors are held to the highest standards of ethics, qualifications, education, training and regulatory compliance.

There are numerous concerns we have with the proposed amendments to Rule A-12 (proposed amendments), while also recognizing the need for the MSRB to properly and justly assess fees to successfully operate. However, as we note below, there are flaws with the process utilized by the MSRB to determine and implement fee increases as well as with specific sections of the proposed amendments.

Impact on Small Municipal Advisors. First, the MSRB and the SEC must recognize that Section 15B(b)(2)(L)(iv) of the *Exchange Act* requires that the MSRB not place an undue burden on small municipal advisors, related to enactment of new and revised rulemaking. While the fee changes proposed in this rulemaking will affect all municipal advisors, it will impact small advisors on a larger scale, as they will have to absorb these fee increases on a greater proportional basis. The proposed amendments especially when taken in combination with other recent rulemaking (e.g., MSRB Rule G-42), and the associated costs associated to comply with these rules, appear to violate this section of the *Act*.

We have commented on the need for the MSRB to seriously consider the meaning of Section 15B(b)(2)(L)(iv) of the *Exchange Act* in past comment letters and we are increasingly concerned that the MSRB continues to propose rules that seem to ignore this key provision of the *Dodd-Frank Act*, as there are no comments or provisions in this or other rulemakings that offer relief for small municipal advisors. The end result of not addressing this key provision of the *Act*, is

that it could jeopardize the business models of small MAs. If these small MAs and small MA firms determine that they can no longer sustain their business under these conditions, it would leave their clients, especially small issuers, exposed to transactions without necessary advice, and compromise part of MSRB's mission to protect issuers. We continue to suggest that the MSRB focus attention on this matter and address Section 15B(b)(2)(L)(iv) of the *Exchange Act* in its rulemaking.

Cost of Operations Dedicated to MA Rulemaking. Throughout the discussion of the proposed amendment related to the reasoning for fee changes, there is considerable discussion of the costs for the MSRB to run its operations, and how much certain fees contribute to MSRB's total revenues. However, we did not find any information that would indicate comparing revenues to expenses that are dedicated to the MSRB's activities related to municipal advisors, which is an important piece of the puzzle to best understand the MSRB's need for fee increases to pay for these operations. Further, in future years, after the heavy lifting of MA rulemaking is completed, it would seem as though the MSRB staff time dedicated to MA rulemaking may taper off, which should be considered when determining the need for additional fees for future MSRB operations. Having this information would allow commentators to be better informed and understand the basis for which the fee structures are proposed to be changed, and should be provided on an ongoing basis and available for public comment prior to enactment of fee changes.

Projections. Again, while respecting the need for the MSRB to have adequate funds to operate, some of the reasoning for the fee increases rests on the projected decrease in municipal bond issuance, which will impact the MSRB's overall budget. There are various ways to look at this, for instance could the MSRB's needs and operations also decrease if issuance levels are lower, thus making it unclear if additional fees are needed when operations may wane in the future. These types of discussions should be considered before resorting to an increase in fees for future operations.

Operating Reserves. The MSRB's operating reserves are quite healthy and appear to be in excess of what would be prudent or necessary for an entity that can impose fee increases on an immediately effective basis. The MSRB should be evaluating its true reserve needs to determine if some portion of these reserves can be reassigned for necessary operational expenses instead of asking for fee increases and maintaining such large operational reserves.

Annual Fee. The proposed amendments call on a doubling of the annual fee from \$500 to \$1000. NAMA suggests that this doubling of the fee in combination with its relatively sudden effective date should be reassessed. We suggest in its place that the increase be phased in, with a \$750 rate for the MSRB's next fiscal year, 2016, and the full \$1000 fee coming into effect starting in the MSRB's 2017 fiscal year.

Initial Fee. While it is likely that most MAs have already paid the initial fee to the MSRB, the jump in costs from \$100 to \$1000 is steep. The MSRB should look to implement a phased-in approach rather than making up for lost time in one fell swoop.

Opportunity for Comment. Although the MSRB is permitted to submit fee changes on an immediately effective basis, it should seek input from regulated members through a public comment period before submitting such fee changes to the SEC. MSRB's own efforts to be more transparent and open with its operations should lead the MSRB, as a matter of good faith, to submit any proposed fees to a public comment period before seeking submitting for immediate effectiveness with the SEC.

While the changes in fee structures are in place to change as of October 1, 2015, we would request that the MSRB and the SEC reevaluate the true needs and funds currently available to pay for MSRB operations, and if fee increases are determined necessary, look to delay or phase in the fees over a longer period of time.

Thank you very much for the opportunity to comment on this important topic.

Sincerely,

A handwritten signature in black ink that reads "Terri Heaton". The signature is written in a cursive, flowing style.

Terri Heaton, CIPMA
President, National Association of Municipal Advisors (NAMA)

cc: Jessica Kane, Director, Office of Municipal Securities
Rebecca Olsen, Deputy Director, Office of Municipal Securities
Lynnette Kelly, Executive Director, Municipal Securities Rulemaking Board