

*The Weekly Wrap and the NABL Governmental Affairs Staff Wish You  
and Your Families a Happy Holiday and New Year*

December 23, 2011

## **IDEA OF THE WEEK**

### **US Chamber Recommends More SEC Focus on Munis**

The U.S. Chamber of Commerce's Center for Capital Markets Competitiveness has released a 135-page report on the SEC titled "Roadmap for Transformational Reform," which recommends the entire overhaul of the SEC, which it claims is currently "grounded in an outdated view of the world's financial markets".

The report recommends the expansion of the SEC from five commissioners to a seven member organization, with the stipulation that an accountant, an economist and an attorney always be included among the seven commissioners. It also recommends that SEC senior staff should be hired for five-year appointments, renewable only following extensive review.

With regard to municipal securities, the report criticized the SEC for its "equity-centric" view of markets, and specifically recommended that more resources be devoted to municipal markets noting that "[o]ne year after Dodd-Frank mandated the creation of an independent office of municipal securities, the SEC continues to function with only two or three professional staff overseeing the entire market, as it has for the past decade."

The report can be found here.

[http://www.uschamber.com/sites/default/files/reports/16967\\_SECReport\\_FullReport\\_final.pdf](http://www.uschamber.com/sites/default/files/reports/16967_SECReport_FullReport_final.pdf)

## **REGULATORY**

### **SEC Approves Amendment to MSRB Rule G-16 and Rule G-9**

On December 19, 2011, the Municipal Securities Rulemaking Board (MSRB) released MSRB Notice 2011-69, announcing that the Securities and Exchange Commission (SEC) has approved rule changes related to MSRB Rule G-16, on periodic compliance examinations, and to MSRB Rule G-9, on facilitating the establishment of risk-based compliance examination program for brokers, dealers, and municipal securities dealers that are members of FINRA.

The amendments to Rule G-16 are effective December 16, 2011, and the amendments to Rule G-9 are effective on June 16, 2012.

MSRB Notice 2011-69 is available here: <http://www.msrb.org/Rules-and-Interpretations/Regulatory-Notices/2011/2011-69.aspx>

### **SEC Charges Wachovia with Fraudulent Bid Rigging in Municipal Bond Proceedings**

On December 8, 2011, the Securities and Exchange Commission (SEC) charged Wachovia with fraudulently engaging in secret arrangements with bidding agents to improperly win business from municipalities and guarantee itself profits in the reinvestment of municipal bond proceeds. Wachovia settled by agreeing to pay a \$148 million settlement to the SEC. Wachovia joins J.P. Morgan, UBS Financial Group, and Banc of America Securities in settling similar bid-rigging cases since December of 2010.

Additional information is available here. <http://www.sec.gov/news/press/2011/2011-257.htm>

### **SEC Announces Delay in Finalizing Municipal Advisor Rule**

On December 21, 2011 the Securities and Exchange Commission (SEC) announced an extension until September 30, 2012, for the interim municipal advisor rule, originally scheduled to expire on December 31, 2012. The SEC, in a nine page notice, stated that the extension would permit municipal advisors to continue to comply with the statutory mandate of the Dodd–Frank Wall Street Reform and Consumer Protection Act, while the SEC continues to work through the final rule. The SEC notice did not discuss any reasons for the delay.

The Notice can be accessed here. <http://www.nabl.org/uploads/cms/documents/34-66020.pdf>

### **SEC Chairman Urged to Exempt Broker-Dealers and Other Regulated Entities from Proposed MA Definition**

Letters sent to Securities and Exchange Commission (SEC) Chairman Mary Shapiro warn that failure to exempt broker-dealers from its proposed municipal advisors definition would impose unnecessary regulation and “increase the cost and reduce the availability of financial services for local municipal governments and other municipal operations...” One letter was sent by 34 members of Congress, including Rep. Mike Quigley (D-IL) and Rep. Patrick Henry (R-NC). The American Bankers Association and all fifty state bankers associations have also sent a letter to Chairman Shapiro requesting that broker-dealers be exempted from the definition of municipal advisor, stating that “ the rule would label as ‘municipal advisors’ banks and many bank employees providing essential and traditional bank services to their local municipalities, including day-to-day deposit, cash management, custody, trustee, and lending services – a result we do not believe furthers any legitimate policy goal.”

The letter from members of Congress can be seen here.

[http://www.sifma.org/uploadedfiles/issues/capital\\_markets/municipal\\_securitys/ltrtoschapiromunicipal-advisor20111219.pdf](http://www.sifma.org/uploadedfiles/issues/capital_markets/municipal_securitys/ltrtoschapiromunicipal-advisor20111219.pdf)

The letter from the ABA can be seen here.

[http://www.nabl.org/uploads/cms/documents/ABA\\_MuniAdvisorsRule\\_JointLetter\\_062911.pdf](http://www.nabl.org/uploads/cms/documents/ABA_MuniAdvisorsRule_JointLetter_062911.pdf)