

SEC Establishes Registration Rules for Municipal Advisors

The SEC has adopted permanent registration rules for municipal advisors as required by the Dodd-Frank Act. The new rules, which will become effective 60 days after they are published in the Federal register, require a municipal advisor to permanently register with the SEC if it provides advice on the issuance of municipal securities, municipal derivatives or about certain investment strategies for proceeds from the sale of municipal securities. Registered municipal advisors will have to adhere to standards for training, qualification and conduct, including the treatment of conflicts of interest.

Municipal advisors are relied on by state and local governments when they issue municipal securities and invest proceeds therefrom. Prior to the Dodd-Frank Act, municipal advisors were not regulated by the SEC even though they receive fees for their services. In the wake of the financial crisis, municipalities, under the guidance of municipal advisors who may have had conflicts of interest, invested in complex derivative products that resulted in substantial financial loss.

After the passage of the Dodd-Frank Act, the SEC established a temporary registration regime, under which more than 1,100 municipal advisors registered. The new, permanent rules require registration on a staggered basis beginning July 1, 2014. During this staggered compliance period, the temporary registration will be extended to allow municipal advisors to continue to remain registered.

The final rules exempt employees and appointed officials of municipalities from registration, and requires municipal advisory firms to furnish information about their employees,

(rather than having these individuals register separately). Brokers and dealers serving as underwriters do not have to register if their advisory activities involve the structure, timing and terms of a particular issue of municipal securities. Registered investment advisors, their associated persons, registered commodity trading advisors, registered swap dealers, attorneys, engineers, banks and accountants are additionally exempt from registration, provided that they meet certain conditions about the nature of their advice.

A Form MA for each municipal advisors and a Form MA-I for each individual associated with municipal advisory firms are required to be filed through EDGAR.

[Click here](#) for the SEC Press Release.