

Municipal Adviser Legislation Advancing in Congress

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While the SRO bill is stalled, another piece of legislation impacting registered investment advisers is advancing. A bill to increase oversight over municipal advisers moved forward in the House earlier this month.

Tougher oversight of advisers to cities, states and other municipal borrowers was part of Dodd-Frank and Dodd Frank mandated the SEC to put meat on the bones. A stalemate ensued, as no one could agree on how to define the term.

The SEC proposed a definition in December 2010, but went back to the drawing board after loud protests. Now lawmakers are weighing in on the standard.

A bill, introduced by Representative Robert Dold, would limit the term “municipal adviser” to those formally hired and paid to provide advice to governments on financing roads, bridges, schools and other public projects. It would also provide wide exemptions for participants such as brokers and municipal securities dealers and eliminate federal fiduciary standards for municipal advisers while maintaining applicable state laws. Now here we are talking narrow.

“We need to give the SEC further legislative guidance to ensure that the rules aren’t overly broad, unduly burdensome, unworkable, or damaging to municipal governments trying to raise capital to fund projects and operations on which their constituents depend,” said Dold. Well said. The author humbly wonders what the new bill targets then.

Although this bill is making its way through the House, there is no corresponding bill in the Senate. My wild guess is that it will be a while before a final rule is released. Stay tuned.

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