

# MUNICIPAL ADVISOR TESTING

As part of its expanded mandate under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Municipal Securities Rulemaking Board (the “MSRB”) is implementing the first qualifying examination for municipal advisors. MSRB Rule G-3, effective April 27, 2015, creates two classifications of municipal advisor professionals, representative and principal, with firms required to designate at least one principal to oversee the municipal advisory activities of the firm. All municipal advisor representatives and principals are required to take and pass the forthcoming Municipal Advisor Representative Exam (Series 50) to demonstrate the level of knowledge needed to be sufficiently qualified to perform municipal advisory activities.

The MSRB plans to implement the new exam in 2016. To facilitate the transition to the new exam requirement, the MSRB’s rule provides for a one-year grace period during which individuals will be able to take the municipal advisor representative exam while still engaging in municipal advisory activities.



Clients can expect that after 2016 all professionals at Speer with whom you have contact will have passed the Series 50 exam demonstrating a continuation of our expertise and qualifications to act as your municipal advisor.

## WHAT IS AN IRMA LETTER AND WHY AM I BEING ASKED TO DELIVER ONE?

Under the new Municipal Advisor (“MA”) Rules, firms wishing to serve as municipal securities dealer/underwriter do not have a fiduciary duty to a municipal entity and thus must operate within certain defined MA exemptions. Generally, underwriters are restricted to providing only general information unless (one of the following):

1. They are specifically engaged on a transaction as a securities dealer/underwriter
2. They are asked for information in a qualified request for proposal (RFP),
3. The municipal entity has represented in writing that it will rely on the opinion of an Independent Registered Municipal Advisor (IRMA) (the “IRMA Exemption”).

The IRMA Exemption provides underwriters with the most freedom with the type of information they can present to a municipal issuer. This makes it the most sought after exemption by underwriters.

As underwriters have been adapting to the new MA Rules, they have increasingly been approaching municipal issuers to provide them with an “IRMA Letter” allowing them to operate freely under the IRMA Exemption, even at times when the municipal issuer is not offering or

contemplating a bond offering. While allowing the IRMA Exemption in certain situation can be beneficial, there are several items worth the municipal issuers consideration before delivering an IRMA Letter:

1. Does the IRMA Letter require the municipal securities dealer/underwriter to provide information and analysis only to the municipal entity or both the municipal entity and the IRMA? Under the rules, once operating under the IRMA Exemption, underwriters do not have to provide information to the IRMA. Municipal issuers should understand that the information they are receiving may not have been sent to and reviewed by their IRMA. As such, a municipal issuer may want to specify in its IRMA Letter that all analysis and information also be sent to the IRMA.
2. Is there a timeframe or ending period to the IRMA Exemption? Underwriters may be asking for a blanket exemption, while the municipal issuer may only want to allow the IRMA Exemption for a specific period of time.

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