



# Muni Bond Newsletter

**SPEER FINANCIAL, INC.  
REGISTERED INDEPENDENT MUNICIPAL ADVISOR**

**JANUARY 2015  
EDITION**

## **Municipal Advisor Rule Compliance – Two Quarters into a Regulated Industry**

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### **The Municipal Advisor (“MA”) Rules became effective on July 1, 2014.**

The MA Rules define who is a MA and when a MA is engaging in activities which give rise to a fiduciary duty between the MA and a municipal entity. Speer Financial, Inc., is a registered MA. The MA Rules also charged the Municipal Securities Rulemaking Board (“MSRB”) with disseminating rules regarding the activities of MAs and setting professional standards and proficiency tests for MAs. The major effects of these rules have been to regulate MAs, which were previously unregulated, impose a fiduciary duty on MAs as it relates to their municipal clients, and clearly delineate between the roles of MA and underwriter on municipal securities transactions.

The MSRB is in the process of drafting and adopting rules which will make up a complete regulatory regime, similar to the requirements imposed on municipal securities dealers. Thus far, the MSRB has finalized rule G-44 which sets forth a supervisory and compliance obligation on MAs similar to those already imposed on municipal securities dealers. The MSRB has also updated rules G-8 and G-9, regarding books and records and the preservation of books and records, to include MAs. Finally, the MSRB also has draft revisions of its Rule G-37 (“Pay to Play”) rules out, which extend to MAs. It is expected that MA firms will maintain the same pay to play restrictions as municipal securities dealers.

The cornerstone of MSRB rules regarding MAs is MSRB Rule G-42 regarding the duties of non-solicitor municipal advisors. Rule G-42 is still in draft form and the industry is awaiting its final release. Rule G-42 will define the fiduciary duties of MAs and establish a comprehensive code of conduct. While the fiduciary duty was previously established by the Dodd-Frank Wall Street Reform and Consumer Protection Act, Rule G-42 further defines the specific fiduciary duties, including the duty of care and duty of loyalty owed to municipal entities.

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