

“Finally, the End of Switching...”

In 2010 federal regulation changed with the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act. The regulatory changes were directed through the Municipal Securities Rulemaking Board (MSRB) and Securities and Exchange Commission (SEC).

One of the major resulting changes is to MSRB Rule G-23, which speaks to the activities of Underwriters (who purchase your bonds) acting in both the capacity of a Financial Advisor and Underwriter in connection with a bond sale.

In the past, a firm could act in both capacities as first the Financial Advisor and then as the purchaser or Underwriter of the bonds. The firm would resign as Financial Advisor, in writing, at the time of the sale. Once the Issuer accepted the resignation, in writing, the same firm would then act as Underwriter and purchase the bonds.

The Government Finance Officers Association (GFOA) considers this practice to be a conflict of interest which hurts Issuers and has established Best Practices to separate pricing and purchasing decisions. The Financial Advisor should be advising an Issuer on preparing the deal to receive the lowest interest rates, while an Underwriter is concerned with getting higher investment rates for their bond purchasers. This switching left an Issuer without any independent advice on the day of sale and any unbiased interest rate comparison to the market.

In May 2011, the SEC approved changing Rule G-23 to require a Financial Advisor/Underwriting firm to declare, in the early stages of the bond issuance process, that they will act as either a Financial Advisor or an Underwriter. The Rule change became effective for bond issues selling after November 27, 2011. This change provides Issuers with a clear picture as to what capacity a market participant is acting as.

Speer Financial is an Independent Financial Advisor, and registered Municipal Advisor with the MSRB, and has never been in the market as a purchaser or underwriter of bonds.

More rules and regulations are expected in the future by the MSRB and SEC changing the way municipal market participants are regulated. Please contact Speer Financial and we can inform you of such changes as they are adopted.



WE HAVE GONE GREEN

Visit our website www.speerfinancial.com for newsletters, training seminars, and to join our email list.

SUITE 4100 * 1 NORTH LASALLE STREET * CHICAGO, ILLINOIS 60602 * (312) 346-3700 * FAX (312) 346-8833
SUITE 608 * 531 COMMERCIAL STREET * WATERLOO, IOWA 50701 (319) 291-2077 * FAX (319) 291-8628