

Client Alert

Current Issues Relevant to Our Clients

September 19, 2013

SEC Approves Registration Rules for Municipal Advisors

On September 18, 2013, the Securities and Exchange Commission adopted final rules for registering municipal advisors. The text of the rules is not yet available. The following information is based on the SEC's press release. We will send a more complete analysis of the rules at a later date.

Anyone who provides advice on the issuance of municipal securities or about certain investment strategies or municipal derivatives is considered a municipal advisor and must permanently register with the SEC.

Here is a list of some of the people who will **not** be required to register as municipal advisors:

- **Public officials** or members of a governing body or an advisory board of a municipal entity, a conduit authority or an obligated person (such as a not-for-profit university or hospital that borrows the proceeds of municipal securities), so long as they are acting within the scope of their official capacity.
- **Public employees**, including employees of obligated persons, so long as they are acting within the scope of their employment.
- **Underwriters**, so long as their advice involves a particular issue of municipal securities. This exemption starts when the underwriter is engaged on an issue and ends when the underwriting period is over. This exemption does not apply to advice on investment of the proceeds of the securities, escrow investments or derivatives.
- **Banks**, when providing advice on specific banking products and services, such as deposit accounts, extensions of credit or bond trustee services. Banks are not exempt from registration when they provide advice on the issuance of municipal securities or municipal derivatives.
- **Swap dealers** who are registered under CFTC rules, if they provide only swap advice and the governmental entity is represented by an independent advisor in accordance with CFTC rules.
- **Attorneys** providing traditional legal services.
- **Accountants** providing audit services, preparing financial statements or issuing letters for underwriters.
- **Engineers** providing advice relating to the engineering aspects of a project, such as feasibility studies and cash flow analyses.

In addition, if a governmental entity already has an independent registered municipal advisor, people who advise the entity with respect to the same issue of securities or the same financial product will not have to register, so long as certain requirements are met and certain disclosures are made.

Municipal advisors must register on a staggered basis beginning July 1, 2014. The expiration date of the temporary rules will be extended during the staggered compliance period.

Individuals will not have to register separately if their firms are registered municipal advisors that furnish information about them to the SEC, but the rules allow the SEC to censure individuals.

[Click here](#) to see a copy of the SEC press release.

For More Information

To discuss any topic covered in this alert, please contact an attorney in our Public Finance Group or visit us online at Chapman.com.

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