



WASHINGTON UPDATE

444 N. Capitol Street NW, Suite 234 ♦ Washington, DC 20001 September 23, 2013

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Debate on Money Market Mutual Fund's Floating Net-Asset Value Moves to House

The House Subcommittee on Financial Services Capital Markets and Government Sponsored Enterprises held a hearing last Wednesday on the U.S. Securities and Exchange Commission's proposed rules governing money market mutual funds and whether to move from a stable net-asset value (NAV) to a floating value. Georgia State Treasurer Steven McCoy was one of the panelists before the subcommittee. Treasurer McCoy focused his testimony on the impact of these proposed changes on Local Government Investment Pools (LGIPs). McCoy told the subcommittee that Georgia comingles assets in LGIPs and would be harmed by the floating NAV proposal, because Georgia cannot invest in securities that are eligible to lose principal. Another panelist James Gilligan, assistant treasurer of Great Plains Energy, echoed Treasurer McCoy's remarks about the damaging effects of the SEC's floating NAV proposal, telling the subcommittee "the medicine may kill the patient."

A background sheet and copies of the SEC's reform proposals can be found at

http://financialservices.house.gov/uploadedfiles/09-18-13_cm_hearing_memo.pdf.

Video and testimony from the panelists for this very informative hearing can be found at

<http://financialservices.house.gov/calendar/eventsingle.aspx?EventID=349276>.

GAO to Fed: Incorporate Recovery Act Lessons

In a report released last week, the U.S. Government Accountability Office offered recommendations on improving transparency of federal spending and improving accountability on contracts, grants and loans. The report, based on lessons learned from the Recovery Act, the Recovery Accountability and Transparency Board (RATB), and Government Accountability and Transparency Board (GATB), examined initiatives under way to improve the accuracy and availability of federal spending data. From the examination, GAO recommended a three-pronged approach:

- Develop a long-term plan to implement comprehensive transparency reform.
- Increase efforts for obtaining stakeholder input to ensure reporting challenges are addressed.
- Congress should consider legislating transparency requirements and establishing clear authority to implement these requirements to ensure that recommended approaches for improving transparency are carried out across the federal government.

Of note in the report, GAO also recommends that the director of the Office of Management and Budget, in collaboration with the members of the GATB "Increase efforts for obtaining input from stakeholders, including entities receiving federal funds, to address reporting challenges, and strike an

WASHINGTON UPDATE *(page 2)*

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WASHINGTON STAFF

TANYA GRAYSON
Administrative Assistant/
Website Coordinator
tgrayson@nasact.org

NEAL HUTCHKO
Policy Analyst
Nhutchko@nasact.org

CORNELIA CHEBINOU
Washington Director
cchebinou@nasact.org

NASACT Washington Office

444 N. Capitol Street NW
Suite 234
Washington, DC 20001

p: (202) 624-5451
f: (202) 624-5473

appropriate balance that ensures the accuracy of the data without unduly increasing the burden on those doing the reporting.”

The full GAO report can be found at www.gao.gov/products/GAO-13-871T.

This GAO report was also featured at the Senate Budget Committee hearing entitled “Enhancing Accountability and Increasing Financial Transparency:”

http://www.budget.senate.gov/democratic/index.cfm/committeehearings?ContentRecord_id=2c940932-ad2f-45ab-8df1-88de0d523a07&ContentType_id=14f995b9-dfa5-407a-9d35-56cc7152a7ed&Group_id=d68d31c2-2e75-49fb-a03a-be915cb4550b.

SEC Releases Final Municipal Advisor Rule

Last Wednesday, the SEC ended a multi-year effort to finalize rules that would define “municipal advisor.” The preliminary rules issued in 2010 were viewed by many in the municipal market industry as too broad, and the SEC has worked for several years to narrow the scope of the regulation. Under their final rules released September 18, the SEC announced that a municipal advisor would be required to register with the Commission if it:

- Provides advice on the issuance of municipal securities.
- Provides advice on certain “investment strategies” – specifically investments of the proceeds

of municipal securities and related municipal escrow investments in refinancings.

- Provides advice on municipal derivatives.

In addition, the rules require municipal advisors that have registered with the Commission to disclose certain information. The required disclosures include information regarding:

- Their municipal advisory business.
- The firms and individuals who solicit clients on their behalf.
- Any other business activities in which they are engaged.
- Their participation and interest in the transactions of their municipal clients.

Government employees and appointed board members acting in their official government capacity are excluded.

You can view SEC Commissioner Luis Aguilar’s statement “Enhancing Oversight of Municipal Advisors to Prevent Further Abuses in the Municipal Finance Market and Protect Investors” at www.sec.gov/News/Speech/Detail/Speech/1370539814610#_ednref9.

A copy of the final rule is available at: <http://www.sec.gov/rules/final/2013/34-70462.pdf>