



National Association of State
Auditors, Comptrollers and Treasurers

WASHINGTON UPDATE

444 N. Capitol Street NW, Suite 234 ♦ Washington, DC 20001 January 13, 2014

EXECUTIVE COMMITTEE

President

JAMES B. LEWIS
State Treasurer
New Mexico

First Vice President

WILLIAM G. HOLLAND
Auditor General
Illinois

Second Vice President

CALVIN McKELVOGUE
Chief Operating Officer
State Accounting Enterprise
Iowa

Secretary

RICHARD K. ELLIS
State Treasurer
Utah Office of the State Treasurer

Treasurer

DEBORAH K. DAVENPORT
Auditor General
AZ Office of the Auditor General

Immediate Past President

MARTIN J. BENISON
Comptroller
Massachusetts

Congress Returns, Short-Term CR Needed

Congress returned to Washington D.C. last week after the winter holiday recess and immediately began work on a three-day continuing resolution (CR) to avoid another government shutdown before funding expires on Jan. 15. The CR was needed to give both chambers time to finish an omnibus budget package that would fund the government through the rest of this fiscal year, ending on September 30. In addition, there is also a plan underway to extend expiring unemployment benefits until November, although Senate Majority Leader Harry Reid has kept the specifics of that plan under wraps. A full-year extension of unemployment benefits is estimated to cost the federal government around \$26 to \$28 billion.

MSRB Seeks New Board Members

The Municipal Securities Rulemaking Board (MSRB) announced last week that it is seeking qualified applicants to fill seven positions on its board of directors; the terms would begin on October 1, 2014. The MSRB, which regulates the \$3.7 trillion municipal securities market, is governed by the board. The board sets the strategic direction of the organization, makes policy decisions, authorizes rulemaking and market transparency initiatives, and oversees MSRB's operations.

The MSRB board includes 11 members who are public and independent of the industry, and 10 members who are representatives of MSRB-regulated broker-dealers, banks and municipal advisors. To be considered for a position on the MSRB board, submit an application no later than

February 24, 2014, at this link: <http://gw.msrb.org/BoardApplication/>.

MSRB Issues Proposed Municipal Advisor Rule

The Municipal Securities Rulemaking Board has published a proposed rule on the duties of advisors when providing advice on municipal securities transactions and related products to their clients. The Dodd-Frank Wall Street Reform and Consumer Protection Act charged the MSRB with developing standards of conduct and qualification for municipal advisors.

According to the MSRB press release, "The MSRB's rule proposal sets forth specific obligations of municipal advisors, including the duty to exercise due care and make only informed and suitable recommendations to their clients. The proposed rule requires municipal advisors to disclose all conflicts of interest to their clients and to document the nature of their relationship with their clients, including compensation arrangements and the scope of advisory activities to be performed. The proposal identifies certain conduct that would be prohibited as deceptive, dishonest or unfair practices. Further, the proposal provides guidance on the application of the federal fiduciary duty, established by the Dodd-Frank Act, which requires municipal advisors to deal with their state and local government clients with the utmost good faith and to put their clients' interests ahead of their own."

NASACT will be contacting the membership to request input on the new rule. In addition, MSRB will host a webinar on February 6, 2014 at 3:00 p.m. ET to explain components of the proposal. To register, please go to:

WASHINGTON UPDATE *(page 2)*

444 N. Capitol Street NW, Suite 234 ♦ Washington, DC 20001 January 13, 2014

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

<https://www2.gotomeeting.com/register/814181106>

SEC Issues Guidance on Municipal Advisor Registration

The Securities and Exchange Commission's Office of Municipal Securities has issued interpretive guidance on implementation of a final SEC rule on municipal advisor registration.

The guidance, written as frequently asked questions, addresses the following topics:

- the advice standard, including the general information exclusion and the treatment of business promotional materials used by underwriters
- the request for proposals-request for qualifications exemption
- the exemption for independent municipal advisors
- the exclusion for registered investment advisers
- the underwriter exclusion, including engagements as underwriters
- issuance of municipal securities and post-issuance advice
- remarketing agent services
- opinions by citizens in public discourse
- the effective date of the final rules and the compliance period for using the final registration forms.

The FAQs are available at:

<http://www.sec.gov/info/municipal/municipal-advisors-faqs.pdf>

The Week Ahead: Government Travel and Benefits Fraud

The House and Senate both have busy hearing schedules this week:

On Tuesday, January 14 the Senate Homeland Security and Governmental Affairs Committee will hold a hearing entitled "Examining Conference and Travel Spending Across the Federal Government." Witnesses for the hearing will come from a number of agencies, including the U.S. Office of Management and Budget and the Treasury Department (www.hsgac.senate.gov/hearings/examining-conference-and-travel-spending-across-the-federal-government).

On Thursday, January 16 the House Ways and Means Social Security Subcommittee will hold a hearing on the recent discovery of massive benefits fraud in New York. On January 7, the New York County District Attorney's Office announced the indictment of 106 defendants for their alleged involvement in a criminal conspiracy to defraud taxpayers. The defendants, who include many retirees of the New York Police and Fire Departments, are accused of massive fraud against the Social Security Disability Insurance program. The 102 beneficiaries, along with four facilitators who assisted them, are accused of collecting approximately \$22 million in fraudulent benefits (<http://waysandmeans.house.gov/news/documentsingle.aspx?DocumentID=366386>).