

# Washington Update



## SEC OFFICE OF MUNICIPAL SECURITIES TO CONTINUE FOCUS ON MUNICIPAL ADVISOR RULES AND REGULATIONS

Last Tuesday, U.S. Securities and Exchange Commission Chairman Mary Jo White spoke before the Senate Banking, Housing, and Urban Affairs Committee to address the ongoing implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Although the focus of the hearing was “Wall Street Reform: Assessing and Enhancing the Financial Regulatory System,” Chairman White also discussed the municipal market and how to reduce systemic risks, enhance transparency and better protect investors, as well as other steps to improve financial stability.

The Dodd-Frank Act required the Commission to establish an Office of Municipal Securities (OMS) within the SEC to administer the rules pertaining to broker-dealers, municipal advisors, investors and issuers of municipal securities, and to coordinate with the Municipal Securities Rulemaking Board (MSRB) on rulemaking and enforcement actions. In her testimony, Chairman White noted:

“During its first two years of operations, OMS devoted its attention primarily to finalizing and implementing the municipal advisor registration rules, including providing interpretive guidance to market participants and participating in the review of municipal advisor registrations. Over the next year, OMS expects to continue to devote significant attention to implementing these final rules, to review a considerable number of rule

filings by the MSRB related to municipal advisor regulation, and to coordinate with SEC examination staff in their examinations of municipal advisors. In addition, OMS also continues to monitor current issues in the municipal securities market (such as pension disclosure, accounting, and municipal bankruptcy issues) and to assist in considering further recommendations to the Commission with respect to disclosure, market structure, and price transparency in the municipal securities markets.”

Her full testimony can be found at [www.sec.gov/News/Page/List/Page/1356125649559](http://www.sec.gov/News/Page/List/Page/1356125649559).

## MSRB SEEKS COMMENTS ON STRATEGIC PRIORITIES

The Municipal Securities Rulemaking Board MSRB announced last week that it is seeking suggestions and input regarding long-term priorities and initiatives as they relate to the Board’s core activities. These activities are (1) regulating municipal securities dealers and municipal advisors; (2) operating market transparency systems; and (3) providing education, outreach and market leadership.

The MSRB’s strategic goals include:

- **Municipal Advisor Regulation:** Implement regulatory requirements and standards for all professionals providing municipal advisory services.
- **Municipal Entity Protection:** Expand MSRB’s protection efforts beyond municipal issuers to all municipal entities.
- **Market Efficiency:** Clarify, create and tailor rules and guidance that support a fair and efficient marketplace.
- **Price Transparency:** Improve price transparency for investors and issuers.

Commenters may wish to consider the following questions:

1. Where can the MSRB have the most meaningful impact on the municipal market and/or industry?
2. What are the top issues, risks or challenges in the municipal market and how might the MSRB proactively address them?
3. How should the MSRB’s resources be allocated among the core components of its mission, which includes protecting municipal securities investors, protecting issuers and municipal entities, promoting market fairness and efficiency and providing market transparency?

4. To what extent should the Electronic Municipal Market Access (EMMA) website add additional features and functionality and how can the MSRB best determine which developments contribute the most to a fair and efficient municipal market?

The comment deadline is October 23, 2014. The request for comments page can be found at [www.msrb.org/~media/Files/Regulatory-Notices/RFCs/2014-16.ashx?n=1](http://www.msrb.org/~media/Files/Regulatory-Notices/RFCs/2014-16.ashx?n=1).

## SOCIAL IMPACT BONDS PICK UP MOMENTUM

The House Ways and Means Subcommittee on Human Resources held a hearing last Tuesday to examine a new type of municipal bond that has entered the market: Social Impact Bonds (SIBs). Four SIB models are currently operating in the U.S. today: New York City, New York State, Massachusetts, and Utah. Under an SIB model, a government determines a program's desired outcome, private investors fund a service provider that has demonstrated they can achieve that outcome, and the government reimburses the investors if the outcome is met. Because of this structure, SIBs shift the risk of achieving the outcome from government to the private sector, as taxpayer funds are only spent if desired outcomes are achieved. As a result, SIBs may help drive innovation and competition in the social services sector while providing more local flexibility, as well as accountability for results.

Rep. Todd Young (R-IN) introduced legislation in June (H.R. 4885) that would promote the development of SIBs at the federal level. The legislation would seek proposals from states or local governments for social impact bond projects which would produce measurable, clearly defined outcomes that result in social benefit, such as employment for the unemployed, high school graduation, and reduction of teen and unplanned pregnancies, as well as incidences of child abuse and neglect. H.R. 4885 also establishes the Federal Interagency Council on Social Impact Bonds. The bill has 25 co-sponsors and has companion legislation in the Senate (S. 2691).

Providing testimony during the hearing was David Juppe, senior operating budget manager with Maryland's Department of Legislative Services. Testimony from all panelists can be found at <http://waysandmeans.house.gov/calendar/eventsingle.aspx?EventID=392300>.

## THE WEEK AHEAD: DC AS A STATE, CHIP, AND RETIREMENT SAVINGS

With both chambers of Congress returning to work, the hearing schedule is diverse:

### Monday, September 15

- The Senate Government Affairs Committee has scheduled a hearing on the possibility of admitting Washington D.C. as the fifty-first state, "Equality for the District of Columbia: Discussing the Implications of S. 132, the New Columbia Admission Act of 2013." S. 132 would set forth procedures for the state of New Columbia to:
  1. Submit to the eligible voters propositions for statehood and adoption of a state constitution.
  2. Issue a proclamation for the first elections to Congress of two senators and one representative of New Columbia.

The bill would then require the President to issue a proclamation announcing the results and admitting New Columbia into the Union, and provide for the conversion of District government offices to state offices.

[www.hsgac.senate.gov/hearings/equality-for-the-district-of-columbia-discussing-the-implications-of-s-132-the-new-columbia-admission-act-of-2013](http://www.hsgac.senate.gov/hearings/equality-for-the-district-of-columbia-discussing-the-implications-of-s-132-the-new-columbia-admission-act-of-2013)

### Tuesday, September 16

- The Senate Finance Subcommittee on Health Care will examine "The Children's Health Insurance Program: Protecting America's Children and Families." The hearing will feature testimony from Cathy Caldwell, director of the Bureau of Children's Health Insurance at the Alabama Department of Public Health.  
[www.finance.senate.gov/hearings/hearing/?id=9b08df31-5056-a032-5244-10d120336181](http://www.finance.senate.gov/hearings/hearing/?id=9b08df31-5056-a032-5244-10d120336181)
- The Senate Finance Committee will examine "Retirement Savings 2.0: Updating Savings Policy for the Modern Economy."  
[www.finance.senate.gov/hearings/hearing/?id=9bcd48e6-5056-a032-520c-a6994823568d](http://www.finance.senate.gov/hearings/hearing/?id=9bcd48e6-5056-a032-520c-a6994823568d)

### WASHINGTON STAFF

CORNELIA CHEBINOU  
*Washington Director*  
[cchebinou@nasact.org](mailto:cchebinou@nasact.org)

NEAL HUTCHKO  
*Policy Analyst*  
[nhutchko@nasact.org](mailto:nhutchko@nasact.org)

TANYA GRAYSON  
*Administrative Assistant*  
[tgrayson@nasact.org](mailto:tgrayson@nasact.org)

National Association of State  
Auditors, Comptrollers and Treasurers

### HEADQUARTERS OFFICE

449 Lewis Hargett Circle, Suite 290  
Lexington, KY 40503-3590  
P (859) 276-1147, F (859) 278-0507

### WASHINGTON OFFICE

444 N. Capitol Street, NW, Suite 234  
Washington, DC 20001  
P (202) 624-5451, F (202) 624-5473

[www.nasact.org](http://www.nasact.org)

For more information on this newsletter's content, contact Cornelia Chebinou at [cchebinou@nasact.org](mailto:cchebinou@nasact.org) or (202) 624-5451.

# Washington Update