



# Washington Update



## SEC ANNOUNCES 2016 EXAMINATION PRIORITIES

The U.S. Securities and Exchange Commission has released the 2016 priorities of its Office of Compliance Inspections and Examinations. The priorities address issues across a variety of financial institutions, including investment advisers, investment companies, broker-dealers, transfer agents, clearing agencies and national securities exchanges. Several items of note from the priority list include:

- **Public Pension Advisers:** The SEC will examine advisers to municipalities and other government

entities, focusing on pay-to-play and certain other key risk areas related to advisers to public pensions, including identification of undisclosed gifts and entertainment.

- **Municipal Advisors:** The SEC will continue to conduct examinations of newly-registered municipal advisors to assess their compliance with recently adopted SEC and Municipal Securities Rulemaking Board rules. This initiative will continue to include industry outreach and education.
- **Anti-Money Laundering (AML):** The SEC will continue to examine clearing and introducing broker-dealers' AML programs, using their analytic capabilities to focus on firms that have not filed the number of suspicious activity reports (SARs) that would be consistent with their business models or have filed incomplete or late SARs. The SEC will also continue to assess broker-dealers' AML programs, with a particular emphasis on (1) the adequacy of the independent testing obligation, to ensure that these programs are robust and are targeted to each firm's specific business model, and (2) the extent to which firms consider and adapt, as appropriate, their programs to current money laundering and terrorist financing risks.

The full 2016 priorities list can be found at [www.sec.gov/about/offices/ocie/national-examination-program-priorities-2016.pdf](http://www.sec.gov/about/offices/ocie/national-examination-program-priorities-2016.pdf).



## SEC APPROVES NEW MSRB RULE G-42 ON DUTIES OF NON-SOLICITOR MUNICIPAL ADVISORS AND RELATED AMENDMENTS TO MSRB RULE G-8

The MSRB has received approval from the SEC on new Rule G-42, on duties of non-solicitor municipal advisors and related amendments to Rule G-8, on books and records to be made by brokers, dealers, municipal securities dealers and municipal advisors.

New Rule G-42 establishes core standards of conduct for municipal advisors that engage in municipal advisory activities, other than municipal advisory solicitation activities. The related amendments to Rule G-8 establish recordkeeping requirements that apply when a municipal advisor makes a suitability determination or reviews the recommendation of another party. The adoption of Rule G-42 and the related amendments to Rule G-8 represent another milestone in the MSRB's development of a comprehensive regulatory framework for municipal advisors in the exercise of the rulemaking authority granted to the MSRB by the Dodd-Frank Wall Street Reform and Consumer Protection Act, and furthers the MSRB's mandate to protect municipal entities, obligated persons, investors and the public interest. Rule G-42 and the related amendments to Rule G-8 will become effective on June 23, 2016.

The full 34-page notice can be viewed at [www.msrb.org/~media/Files/Regulatory-Notices/Announcements/2016-03.ashx?la=en](http://www.msrb.org/~media/Files/Regulatory-Notices/Announcements/2016-03.ashx?la=en).

## MSRB RELEASES 2015 ANNUAL REPORT

The MSRB has released its 2015 annual report, which highlights the organization's progress on investor protection initiatives to enhance market structure, its ongoing efforts to improve issuer disclosure practices, and the implementation of new regulatory standards for municipal advisors. Among the MSRB 2015 initiatives included in the report are:

- Making enhancements to the availability of more robust pricing information for municipal securities investors.
- Advocating for better disclosure of bank loans and alternative financings by municipal securities issuers.
- Creating the first professional qualifying examination for municipal advisors.
- Adding to the online MSRB Education Center of objective, non-commercial resources about municipal market topics.

Of note in the disclosure section of the report, the MSRB states:

“Issuers have largely declined to make voluntary disclosures about [bank loan] financings that are increasingly playing a greater role in their financial profile. Given the risks this lack of disclosure poses for the fairness and transparency of the municipal market, the MSRB has urged the Securities and Exchange Commission to consider requiring bank loan disclosure as part of an extensive review of the federal municipal market disclosure regime established by SEC Rule 15c2-12. The MSRB continues to explore opportunities to collaborate with other regulators to promote voluntary disclosure of bank loans and other alternative financings.”

The full report can be found at [www.msrb.org/msrb1/pdfs/MSRB-2015-Annual-Report.pdf](http://www.msrb.org/msrb1/pdfs/MSRB-2015-Annual-Report.pdf).

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