
National Association of Independent Public Finance Advisors

c/o Ehlers & Associates, Inc.
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November 2, 2009

The Honorable Barney Frank
Chairman, House Financial Services Committee
United States House of Representatives
2252 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Spencer Bachus
Ranking Minority Member
House Financial Services Committee
United States House of Representatives
2246 Rayburn House Office Building
Washington, D.C. 20515

Re: Amendment of Investors Protection Act to include Regulation of Municipal Finance Advisors

Dear Congressmen:

The Financial Services Committee (the “Committee”) is currently considering legislation that amends the Securities Exchange Act of 1934, to require registration of municipal finance advisors. The National Association of Independent Public Finance Advisors (NAIPFA) supports Committee efforts to review and improve the regulatory structure of the financial markets. NAIPFA’s standards and code of ethics do not tolerate undisclosed conflicts of interests or “pay-to-play” conflicts by member firms. NAIPFA members must demonstrate experience, training, and a track record to qualify for membership and must adhere to a code of professional ethics. As a result of market problems, NAIPFA supports efforts for registration, certification, continuing education requirements and compliance standards for all financial advisors.

NAIPFA, founded 20 years ago, is a professional organization of public finance advisory firms that provide independent public finance advice to public entities. NAIPFA is comprised of thirty member firms locate in twenty–seven states that advise public entities in all fifty states. To NAIPFA member firms, being independent means that member firms do not underwrite or buy-to-sell municipal securities to municipal debt investors. NAIPFA members provide only transparent financial advice to public entities based solely on the public entity’s best interests.

NAIPFA believes that the provisions of H.R. 2550 and the recently submitted Title VII amendments to the Investor Protection Bill, specifically mandating that all municipal finance advisors register with the Securities Exchange Commission (“SEC”), are appropriate and reflect positive change. The SEC, through the Office of Municipal Securities, has staff experienced and qualified to implement provisions of the proposed legislation. NAIPFA believes that it is not appropriate that either the Municipal Securities Rule Making Board (“MRSB”) or Financial Industry Regulatory Authority

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(“FINRA”) be granted oversight authority to regulate municipal finance advisors. Both the MSRB and FINRA are self-regulated organizations, comprised of municipal securities dealers, that purchase securities issued by public entities often times represented by municipal finance advisors. A municipal finance advisor’s role is to represent that public entity’s interests to achieve the lowest cost and most flexible terms from municipal securities dealers. The Government Finance Officers Association, like NAIPFA, believes that a conflicting relationship exists when a municipal securities firm purchases a public entity’s debt. A municipal securities firm wants to buy debt at the highest cost possible for the benefit of investors. A public entity wants to sell debt at the lowest cost possible. NAIPFA believes that having municipal financial advisors subject to oversight by the MSRB or FINRA, organizations whose members have legal responsibility to investors, could create conditions that compromise the fiduciary duty of a municipal financial advisor to its municipal securities issuer clients.

Additionally, on behalf of NAIPFA and public entities, we request that the Committee analyze the effective dates and timeframes currently within the proposed legislation. NAIPFA believes all participants would like to see a fair and reasonable timeframe for municipal finance advisors to complete the registration process, complete testing requirements, and receive approval that results in continued and uninterrupted service to public entities. NAIPFA is concerned that registration, test preparation and certification could take more time than the timelines proposed within the legislation being considered. NAIPFA requests that Section 703(c) of the Title VII amendment be changed to 120 days.

NAIPFA sets ethical and competency standards for municipal finance advisors that assists in an efficient and transparent financial market. NAIPFA believes the SEC is the most appropriate entity to oversee the proposed legislation to regulate municipal finance advisors. We request that the Committee amend the implementation timelines, so that the process mandated by the proposed legislation can be accomplished without interruption of service to public entities. NAIPFA supports efforts of the Committee, and others, to address these regulatory measures to ensure the success of the municipal market.

Sincerely,



Steven F. Apfelbacher, CIPFA
President of NAIPFA

cc: The Honorable Paul Kanjorski, Subcommittee Chair
James Segel, Committee staff