

## Proposed New MSRB Rule on Standards of Conduct for Municipal Advisors

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March 3, 2014

On January 9, 2014 the Municipal Securities Rulemaking Board (MSRB) issued proposed Rule G-42 on the standards of conduct and duties of municipal advisors when engaging in municipal advisory activities other than making solicitations. The MSRB and the Securities Exchange Commission have been concerned about the adequacy of advice and training of financial advisors, conflicts of interest and whether financial advisors have consistently and sufficiently placed client interests above their own. As a follow-on to the new registration requirements for municipal advisors, and the amendments to Rule G-17 which require municipal advisors to deal fairly with their clients and not engage in deceptive, dishonest or unfair practices, proposed Rule G-42 would require municipal advisors to:

- Document in writing the key terms of their relationships with borrower clients;
- Disclose conflicts which could impair the advisor's ability to render unbiased and competent advice; and
- Refrain from recommending transactions or products to a particular client unless the advisor reasonably believes the product is suitable for that client, based on the client's sophistication, objectives, risk tolerance and liquidity needs, among other factors.

Proposed Rule G-42 also prohibits a municipal advisor from receiving excessive compensation, misrepresenting its capacity, resources and expertise, fee splitting and delivering an invoice which does not accurately reflect services provided and by whom they were performed.

Please contact us for further information relevant to your needs.

*>>See also our separate Alert on New SEC Regulation of Municipal Advisors and Underwriters.*

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