

Responses to MSRB Small Municipal Advisor Regulation RFI

Request for Information The MSRB seeks input from different-sized firms, particularly smaller regulated entities, and from other market participants on the following questions. Responders are invited to respond to any or all of the following questions and to provide additional input on how the MSRB can address, within the scope of its statutory authority, any undue burdens or unintended negative impacts its rules or other activities may have on smaller regulated entities. To assist the MSRB in its review and to the extent possible, please provide data or evidence to support your views along with any other information you believe would be useful to the MSRB. Responders should clearly identify which rules, interpretive guidance or other MSRB activity they are referring to when answering each question.

1. What factors make a regulated entity a small, mid-sized or large regulated entity: revenue; level of business activity; number of associated persons; type of regulated entity; or other factors?

Answer: I think the no. of associated persons is the primary factor. I think five or less associated persons would be considered a "small MA firm". I have been a one person MA firm since 1994.

2. What, if any, MSRB rules or other MSRB activity, and what market practices impacted by MSRB rules or activities, have an unintended negative impact on or unfairly burden smaller regulated entities?

Answer: I think every day regulation takes time away from business development and trying to get hired. This is especially true for very small MA firms like my own that have a small no of smaller clients, who do not do a lot of repeat business vs. a larger public agency. I am constantly need to originate new business that take time and money and ability to wait patiently until client is ready to proceed. Realize small MA firms must follow MSRB Rules. But most small firms like my own are not owned by a larger entity and live from transaction to transaction with a lot of financial pressure. There are no financial benefits because income is often limited to cover health care and retirement contributions (if any). Some smaller entities that have good niches with larger entities, like hospitals, K-12 schools and health care providers can do quite well. I think smaller MA firms like my own are an endangered species although some MA's may be able to develop profitable niches with regular repeat business. I have not been able to get off the erratic nature of my income that varies dramatically from year to year. However, this could be reduced if a small MA firm was acquired by a financial institution assuming they wanted to be involved in the Muni market. Or by a larger municipal bond underwriter who wants to have an MA division.

3. What, if any, MSRB rules impede or limit small, regulated entities' participation in the municipal securities market?

-Answer: I think just the general burden of ongoing regulation that in order to comply with MSRB rules for things like Continuing Education are time consuming, but I am sure considered needed. Also making sure to document any recommendations in preparation for future SEC exams and saving all so they can easily be retrieved. Not sure how MSRB can reduce regulatory burden on small MA firms who must comply with MSRB regulations.

4. Are there circumstances where the application of an MSRB rule has led to an unintended disproportionate impact on the growth of smaller regulated entities?

Answer: I think the annual CE requirement is very burdensome and could be modified so not required every year or just every 3 yrs. This would include needs analysis, training plans, content, records, etc.

5. Are there circumstances where the application of an MSRB rule has led to an unintended disproportionate impact on the ability of smaller regulated entities to obtain or retain talent?

Answer: Have always been a one-person firm and never sought to hire another municipal advisor.

6. Are there circumstances where the application of an MSRB rule has required smaller regulated entities to spend resources or retain the services of third-party vendors at costs that have a disproportionate impact on smaller regulated entities?

Answer: Yes. Like consulting firms to assist with annual CE requirements that I always have done myself of save money. Also serve as my own Chief Compliance Officer to save money.

7. What, if any, MSRB rules would benefit from a different or tiered approach to regulation or interpretations, according to size, that would support greater efficiency without the loss of investor, municipal entity or obligated person protection?

Answer: Relax annual CE requirements so not annual.

8. Are there changes that could be made to MSRB rules to provide meaningful and appropriate exceptions based on regulated entities' sizes?

Answer: Sure, that is the case but cannot think of any now. Perhaps the annual MSRB fees could be reduced based on the size and income of the MA Firm.

9. Are there changes the MSRB can make to any of its own processes that could address specific challenges faced by smaller regulated entities?

Answer: MSRB could update its notice for information that should considered a MA's WSP's. An updated template for WSP's for small firms.

10. Are there compliance resources or guidance the MSRB could produce that would be useful if tailored for different-sized regulated entities?

-See response to 9.I think also a guidance on what needs to be done to prepare for SEC exams and tools to assist.

11. Are there any MSRB rules that have an unintended negative impact on or unfairly burden mid-sized and/or large firms, or do any of the questions posed above with respect to smaller regulated entities give rise to concerns about unintended negative impact or unfair burdens on mid-sized and/or large firms?

Answer: Cannot think of any.

Questions about this RFI should be directed to the MSRB's small firm contact, Carol Converso, Director, Market Practice, at 202-838-1500.