

FIRST RIVER ADVISORY L.L.C.

241 SOUTH 6TH STREET, SUITE 1705
PHILADELPHIA, PENNSYLVANIA 19106-3733

OFFICE TELEPHONE (215) 568-9303

MOBILE TELEPHONE (734) 276-0300

SHELLEY J. ARONSON > aronson@firstriver.com



January 18, 2022

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1300 I Street NW
Washington, DC 20005

Dear Mr. Smith:

Please accept, on behalf of First River Advisory, my comments on the MSRB's *Request for Comment on Draft Compliance Resources for Dealers and Municipal Advisors Concerning New Issue Pricing*. First River Advisory is a registered Municipal Advisor. Accordingly, these comments shall be limited to the *Municipal Advisor Considerations for Assessing Written Supervisory Procedures Regarding New Issue Pricing*.

First River Advisory is focused on providing financial advisory services to non-profit hospitals. Many of First River Advisory's clients exhibit weak credit characteristics, so when tax-exempt, long-term, fixed-rate bonds represent the solution selected by the client, such bonds are usually offered through a securities broker-dealer to the high-yield market in the context of a negotiated sale. First River Advisory has also advised hospitals in connection with bank credit facilities which are not Municipal Securities and with the negotiation and termination of Municipal Financial Products such as interest rate swaps. Oversight of pricing of these instruments is typically among the scope of services provided by First River Advisory, and is evidenced in its Relationship Documentation with clients. Actual procedures for executing these functions are set forth in First River Advisory's *Written Supervisory Procedures*.

In general, First River Advisory is supportive of the MSRB's efforts to produce Compliance Resources, rather than to promulgate a new Rule. For those MA firms which elect to provide new issue pricing services to clients, these Compliance Resources provide such MA firms with the flexibility to tailor those services to their clients and those clients' circumstances, without being proscriptive. This is especially important to First River Advisory because its clients' transactions and their circumstances are somewhat out of the "mainstream" of most Municipal Securities transactions. I am satisfied that First River Advisory's *Written Supervisory Procedures* address its role in new issue pricing, which will be reflected on my next annual certification.

The theme of these Compliance Resources appears to require that MA firms "do what they say they're going to do" and document accordingly. None of the FAQs really address the "what

they say they're going to do," which is consistent with what appears to be the MSRB's understanding the MA firms need the flexibility to craft their own procedures and standards according to their practices and circumstances. Indeed, six of the nine FAQs relate to Relationship Documentation, but none prescribe any actual new issue pricing activities.

I understand that SEC examiners have been looking into MAs' role in new issue pricing. It will be important for the MSRB to convey to the SEC that its examinations should be limited to a firm's adherence to its own policies and procedures and the adequacy of documentation thereon. Correspondingly, there would need to be at least some appreciation among examiners that MA firms' practices vary widely. Perhaps examiners need to take some time at the outset of an examination to have sufficient dialogue with MA firm principals to gain an adequate understanding. Even though there appears to be some belief among examiners that a role in new issue pricing is a fundamental service that MAs should be providing, the MSRB should point out that an MA firm may exclude such service in its Relationship Documentation with its clients (FAQ #2).

First River Advisory suggests that the MSRB consider adding the concept of pricing Municipal Financial Products to these Compliance Resources, to be applicable to MA firms which offer this service.

First River Advisory believes that these Compliance Resources are sufficient and does not believe any amendments to Rules G-17 and G-42 would be in order.

As always, I am available to MSRB staff to explore these comments further. Cordially,

