



August 7, 2009

Leslie Carey
Associate General Counsel
Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, VA 22314

Re: MSRB Notice 2009-35: Request for Comment: Rule G-37 on Political Contributions and Prohibitions on Municipal Securities Business – Bond Ballot Campaign Committee Contributions

Dear Ms. Carey:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates this opportunity to respond to Notice 2009-35² issued by the Municipal Securities Rulemaking Board (“MSRB”) (the “Notice”) in which the MSRB requests comment on its proposed draft amendments to Rule G-37 on political contributions and prohibitions on municipal securities business, specifically related to bond ballot campaign committee contributions. SIFMA supports these proposed changes to Rule G-37.

Municipal Securities Dealers Leaders in Limits on “Pay to Play”

Beginning with the “voluntary initiative” entered into by municipal securities broker dealers in 1993, upon which the 1994 adoption of MSRB Rule G-37 was based, SIFMA³ and its member broker dealer firms have been leaders in the adoption of “pay to play” restrictions and regulations in the municipal securities business. For the past 15 years, municipal securities

¹ The Association, or “SIFMA,” brings together the shared interests of more than 650 securities firms, banks and asset managers. SIFMA’s mission is to promote policies and practices that work to expand and perfect markets, foster the development of new products and services and create efficiencies for member firms, while preserving and enhancing the public’s trust and confidence in the markets and the industry. SIFMA works to represent its members’ interests locally and globally. It has offices in New York, Washington D.C., and London and its associated firm, the Asia Securities Industry and Financial Markets Association, is based in Hong Kong.

² MSRB Notice 2009-35 (June 22, 2009).

³ The term SIFMA includes reference to its predecessor firms, including The Bond Market Association and the Public Securities Association.

broker dealers have been held to stricter “pay to play” standards than any other participant in the municipal securities industry or any other participant in any industry. Municipal securities broker dealers are held not only to the strict standards of MSRB Rule G-37, but also to a myriad of state and local “pay to play” laws that prohibit municipal securities broker dealers from engaging in municipal securities business with issuers if certain political contributions are made. In summary, current rule MSRB Rule G-37 provides that a broker dealer may not engage in municipal securities business with an issuer if there have been any contributions made to an issuer official within the past two years by the firm, any municipal finance professional associated with the firm, or a political action committee controlled by the firm.⁴

Bond Ballot Campaign Committee Contributions

Generally, bond ballot campaign committees are created to support a ballot measure before voters to approve a specific municipal securities borrowing. Bond ballot campaign committees vary in prevalence across different jurisdictions. Bond ballot campaign committees raise funds for legitimate purposes, such as to disseminate information to voters about the purpose and benefits of the proposed debt, the costs of the proposed debt to taxpayers and otherwise support bond ballot measures. In certain jurisdictions, bond ballot campaign committees are a key part of the political process in authorizing the issuance of bonds to finance public projects. The type of bond ballot measures these campaigns support varies across different jurisdictions, although ballot measure campaign committees for school bonds and transportation bonds appear to be the most common.

It is of utmost importance to the municipal securities broker dealer community to continue its efforts to eliminate even the slightest perception of impropriety that may exist regarding its obtaining and maintaining municipal securities business. There are no uniform disclosure methodologies or transparency vehicles for bond ballot measure campaign contributions across the various state and local jurisdictions that may have bond ballot measures. SIFMA supports uniform disclosure of bond ballot campaign committee contributions to the MSRB through the Rule G-37 process. SIFMA feels that the transparency this rule change will create would reap benefits that outweigh any additional compliance burdens and costs for the municipal securities broker dealer community. SIFMA believes that any in-kind contributions that a firm pays for on behalf of a committee, such as polling services and other outside election consultants, should be treated the same as cash contributions for the purposes of the rule. SIFMA does not believe, however, that the use of in-house resources should be reported, because the valuation of these resources may be very difficult to ascertain, and the services may overlap and be confused with traditional investment banking services provided. The Rule G-37 changes as currently proposed serve the goal of transparency, and specific disclosure regarding whether a specific item of business is related to a prior contribution is unnecessary. SIFMA also feels that

⁴ There is a *de minimis* exception for contributions that are not in excess of \$250 by any municipal finance professional to each issuer official, per election, for whom the municipal finance professional is entitled to vote.

Leslie Carey
August 7, 2009
Page 3 of 4

expanding Rule G-37 to require identification of the person requesting the contribution is overbroad, and that the material issue relates to the transparency of actual contributions made. Finally, SIFMA not only supports this proposed rule change, but also recommends that MRSB consider concomitant revisions to Rule G-8, on recordkeeping.

Conclusion

We appreciate this opportunity to comment on this proposed rule change. Again, SIFMA and its members have been supportive of the MSRB's efforts on transparency and elimination of the perception of "pay to play", and as such support this proposed rule change. We note, if this rule change is adopted, municipal securities broker dealers will be taking yet another step ahead of other industries that provide goods and services to state and local governments to halt any perception of "pay to play". If you have any questions concerning these comments, or would like to discuss these comments further, please feel free to contact the undersigned at 212.313.1130 or via email at lnorwood@sifma.org.

Respectfully,

A handwritten signature in black ink, appearing to be the name 'Leslie M. Norwood', written in a cursive style.

Leslie M. Norwood,
Managing Director
and Associate General Counsel

Leslie Carey
August 7, 2009
Page 4 of 4

cc: ***Securities Industry and Financial Markets Association***

Municipal Executive Committee

Municipal Policy Committee

Municipal Legal Advisory Committee

Subcommittee on State and Local Business Relationships-State Regulation and
Legislation Committee