

November 7, 2014

Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Attention: Ronald Smith
Corporate Secretary

RE: MSRB Notice 2014-18
(Rules G-20, G-8 and G-9)

Dear Members:

The Municipal Securities Rulemaking Board (“Board”) has requested comments to draft amendments of Rules G-20, G-8 and G-9 as set forth in Notice 2014-18.

Consistent with PFM’s April 5, 2011 submission in response to Notice 2011-16, PFM has no comment with respect to proposed amendments which would extend the coverage of Rule G-20 to municipal advisors.

The promulgation of amendments to Rule G-20 is, we believe, an occasion for the Board to consider whether the reach of the “general limitation” of paragraph (c) of the Rule is satisfactory. Under the formula created by the Board to identify the recipients of payments subject to the restriction of paragraph (c), there appears to be a significant omission of elected officials of state and local governments. Such officials (and perhaps numerous appointed officials) often have authority to influence the selection of underwriters and municipal advisors but are not “employees” of the government in any generally used construction of that term. If the Board has made a deliberate choice to exempt gifts to elected officials -- at the same time as it maintains an extensive structure to limit election-related contributions -- the Board has not explained the decision to create that disparity.

We also repeat the objection we submitted in 2011 to the proposed amendment of Rule G-8 to add paragraph (h)(ii), which would require municipal advisors perhaps to create and certainly to maintain “all agreements referred to in Rule G-20(f)” (emphasis added). This proposed amendment results in an unsupportable, and perhaps unintended, burden on municipal



advisors due to the fact that proposed Rule G-20(f) does not describe a restricted transaction but is solely an exemptive provision. There will be an unknowable number of instances in which a municipal advisor engages a service provider in circumstances which fit the characteristics “referred to” in paragraph (f) but which have nothing whatever to do with municipal securities activities. For example, if a municipal advisor engages an employee of a plumbing contractor to perform periodic maintenance of its galley and washroom fixtures, that is a transaction which squarely fits within (or is “referred to”) in proposed Rule G-20(f). But that activity is not within the scope of federal regulation of securities or the Board’s authority. None of the policies to be advanced by the Board’s instant proposals is brought into play by the innumerable commercial transactions of a regulated person that have no “relation” to municipal securities activities. In the above hypothetical, the municipal advisor may or may not document the maintenance engagement by a written contract. But however the municipal advisor conducts its affairs -- whether to obtain external maintenance of plumbing fixtures or external professional services -- those activities, so long as they are not comprehended by Rule G-20(c), and the creation and preservation of records of those activities, are beyond the interest of federal securities regulators. If the Board finds anything in Section 15B of the Exchange Act which it believes authorizes the Board to require a registrant to document the most trivial of service arrangements with a written contract -- lest the registrant be in violation of Rule G-8 -- it would be appropriate for the Board to identify that authority as against possible challenge.

It is PFM’s objective to be of assistance to the Board in respect to the matters raised in this submission, and, accordingly, we take the liberty of suggesting that the overbreadth of proposed Rule G-8 (h)(ii)(B) can be corrected by substituting, for the phrase “referred to in”, the phrase “relied upon by the registrant pursuant to” [Rule G-20(c)].

Very truly yours,

A handwritten signature in blue ink that reads "Joseph J. Connolly".

Joseph J. Connolly
Counsel