

The following article on municipal adviser reform legislation developed in the House Financial Services Committee under the chairmanship of Congressman Bachus appeared in Reuters News.

Municipal Advisers Bill Advances in U.S. House

Aug 1 (Reuters) - Legislation to define municipal advisers moved forward in the U.S. House of Representatives on Wednesday, a key step in tightening oversight of those who give issuers advice on selling their debt and turning up the heat on regulators who have stalled in making their own determination.

Tougher regulation of adviser to cities, states and other municipal borrowers was put in place nearly two years with the enactment of the Dodd-Frank financial reforms, but efforts to actually define who qualifies as a municipal adviser have proved problematic.

Approval of the legislation by a key House subcommittee on Wednesday means it will now move to the full Financial Services Committee.

A proposed definition by the Securities and Exchange Commission released in December 2010 of who qualified as an adviser spawned hundreds of comments, almost all of which said the definition would ensnare too many people in the regulation, many of whom were only on the periphery for the market. The SEC pulled the proposal and has been revising it.

"We need to give the SEC further legislative guidance to ensure that the rules aren't overly broad, unduly burdensome, unworkable, or damaging to municipal governments trying to raise capital to fund projects and operations on which their constituents depend," said Representative Robert Dold about the legislation he introduced, before it was approved.

Dold, a Republican from Illinois, added that the bill would be amended later to give advisers fiduciary duties, ensure appointed and elected officials are exempt from the definition, and also

to keep accountants and auditors who provide basic services from being considered advisers.

If the legislation is passed by the Financial Services committee it will move on to the full Republican-controlled House. A corresponding bill has not been introduced in the Democrat-dominated Senate, which could make it hard for the legislation to reach the president's desk. Still, members of both parties in the House have expressed support for the bill.

"This is an entirely worthy goal and one I support, especially as I have seen in Jefferson County, Alabama, how unscrupulous municipal advisers pocketed the lucrative fees associated with the county's sewer bond offerings while ignoring the welfare of the taxpayers," said Financial Services Committee Chairman Spencer Bachus, in a statement.

Jefferson County became the largest municipal bankruptcy in U.S. history after soured sewer-system debt ravaged its finances.

Bachus added that he plans to hold a hearing in the fall on an SEC report released on Tuesday that included a list of recommended legislation on increasing transparency in the municipal bond market.