

MEMO# 27584

September 23, 2013

Institute Comment Letter on Proposal to Amend MSRB Rule A-3

[27584]

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TO: MUNICIPAL SECURITIES ADVISORY COMMITTEE No. 26-13 RE: INSTITUTE COMMENT LETTER ON PROPOSAL TO AMEND MSRB RULE A-3

The Institute filed the attached comment letter supporting the Municipal Securities Rulemaking Board's ("MSRB") proposal to alter the membership criteria for public representatives on the MSRB Board ("Public Members"). [\[1\]](#) The proposal would modify the standard applied to determine whether an individual is sufficiently independent so as to be eligible to serve as a Public Member in a manner that would increase the opportunity for employees of certain advisers to registered investment companies ("fund advisers") to serve as Public Members. The letter is attached and summarized below.

The letter points out that under current Rule A-3, employees of fund advisers may not serve as Public Members if the adviser is "associated with" a municipal securities broker, municipal securities dealer, or municipal advisor ("regulated entity"). The letter supports the MSRB's proposal, which would amend Rule A-3 to provide a more function-oriented approach to defining independence so that an individual would be eligible to serve as a Public Member if the individual is not, and within the last two years was not, an officer, director (other than as an independent director), an employee or controlling person of any regulated entity. This change would allow the MSRB to consider candidates who are currently deemed ineligible to be Public Members due to the corporate structure of their employer.

In addition, the letter states that if the MSRB's proposed change to Rule A-3 is not approved, the MSRB should consider an alternative approach to address the current disparate treatment of fund advisers within the same corporate entity as a regulated entity and stand-alone investment advisers. In particular, it recommends that the MSRB permit employees of a fund adviser within the same corporate entity as a regulated entity to qualify and be considered as candidates for the pool of Regulated Members. [\[2\]](#)

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[Attachment](#)

endnotes

[1] Securities Exchange Act Release No. 70004 (July 18, 2013) (“Release”).

[2] MSRB Rule A-3 provides for ten members of the MSRB Board to be representatives from brokers, dealers, municipal securities dealers, and municipal advisors (“Regulated Members”).

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