Forestry Conservation Bond Bills Re-introduced

Rep. Dave Reichert (R-WA) and Sen. Patty Murray (D-WA), along with bi-partisan cosponsors, have introduced legislation in the House and Senate to provide for $3 billion in qualified forestry conservation bonds. The legislation is identical to bills introduced in 2009 but was never approved. The proposed bonds would be exempt from the private activity bond volume cap and would provide an additional resource to enable conservation organizations to acquire timberland.

Tax Reform: Preservation of the Muni Tax Exemption

The Obama Administration and Republican House of Representatives' leadership continue to spar over whether and how to approach the issue of tax reform. This week, House Ways & Means Committee Chairman Dave Camp (R-MI) reiterated his desire to simultaneously reform both the corporate and individual tax codes. Obama Administration officials would prefer to focus only on corporate tax reform. Sen. Richard Shelby (R-AL) introduced a tax reform plan that would eliminate all tax credits and most deductions and replace the progressive tax rates with a single 17 percent flat tax rate. His bill would not affect the exclusion for municipal bonds. However there is much discussion in DC of eliminating individual tax deductions, including that for municipal bonds.

The BDA is aggressively focused on preservation of the muni tax exemption and is working with many state and local groups to ensure Capitol Hill decision makers understand and appreciate the value to issuers and investors of the muni tax exemption. The BDA is forming a Speakers Bureau / Alliance composed of leadership from state and local officials, dealers, analysts and academics to assist our advocacy in this respect and to ensure your muni bond interests are best represented. More to come very soon but please contact Bill Daly at wdaly@bdamerica.org or Mike Nicholas at m nicholas@bdamerica.org with any questions or comments.
**Deficit Discussion Discontent**

The “Gang of Six” bi-partisan discussions aimed at reaching agreement on a deficit reduction plan appear to have failed, so focus is now on bi-partisan discussions between the White House and congressional leaders. While discussions have been described as “frank”, an agreement is still a long way off (most believe the saga will drag on until late July/early August). Meanwhile, Members of Congress are seemingly more cautious in their press statements due to fears of roiling capital markets more than is already happening with fears over the debt crisis and a potential double-dip recession in the housing market.

**G-23 Finalized by SEC**

Late Friday, May 27, the SEC approved changes to Rule G-23 to prohibit a financial advisor from switching roles and serving as an underwriter in negotiated and competitive transactions. The changes are effective in six months, for new issues for which the Time of Formal Award (as defined in Rule G-34 (a)(ii)(C)(1)(a)) occurs after November 27, 2011. The prohibition would apply on an issue-by-issue basis, so that a firm can be a financial advisor to an issuer for one issue and, at the same time, an underwriter for the same issuer on a different issue. The prohibition applies to any firm controlling, controlled by, or under common control with the financial advisor. The MSRB Notice is available [here](#), the SEC Release is available [here](#) and BDA’s summary is available [here](#).

**BDA Recommended Procedures for Secondary Market Disclosure of Municipal Securities to Retail Investors**

The BDA distributed to its members Recommended Best Procedures for Secondary Market Disclosure of Municipal Securities to Retail. This document is the result of many hours of review by the BDA’s municipal bond committee and the BDA’s retail fixed income committee and was drafted with the assistance of BDA retained law firm Nixon Peabody. This document was originated last fall after FINRA released their “checklist” for secondary market disclosure to retail.

While finalizing this document the BDA met several times with FINRA to ensure we met their objectives while balancing concerns of BDA members and without providing recommended procedures that are overly prescriptive. It is fair to say that FINRA fixed income regulation leadership is comfortable with the BDA’s recommended best procedures and believes it reflects their concerns.

For more information or a copy of the BDA’s Recommended Best Procedures please contact Mike Nicholas at [mnicholas@bdamerica.org](mailto:mnicholas@bdamerica.org) or 202.204.7901.
BDA Continues to Monitor CUSIP Issue

As BDA previously reported, Standard & Poors has reached a tentative agreement with the European Commission to cap at $15,000/yr the annual fees it charges US vendors who source identifier codes directly or who redistribute identifier codes in Europe. Further, it will discontinue charging companies that source securities identifiers indirectly from information service providers. BDA continues to discuss this issue with other affected parties and is closely monitoring the ongoing comment period underway in Europe for possible objections and changes to the proposed agreement. BDA is also meeting later this month with US representatives of CUSIP Global Services to discuss current procedures and licensing agreements with US companies and possible modifications to charges imposed in this country for access to securities identifiers.

MSRB Meeting June 3

The BDA, represented by Dan Keating of Ramirez & Co and Lucy Hooper of Davenport and Co., participated in the semi-annual MSRB industry roundtable on June 3. MSRB staff and guest speakers reviewed the current serious threat to the continuation of the municipal tax exemption. The group also discussed how to improve continuing disclosure and the recent NABL draft on pension disclosure.

BDA Meeting with SEC June 29

The BDA will be meeting with SEC Commissioner Elisse Walter and her staff on June 29 about the study they are conducting on the municipal market. The SEC had planned a series of hearings around the country, but because of budget constraints, those hearings will not be held. Instead, the SEC is meeting with groups in Washington and has asked for comments. The focus of the study appears to be providing investors with timely and up-to-date disclosure information and ensuring pre-trade price transparency. If BDA members have any comments or are interested in participating in the meeting, please contact Bill Daly at wdaly@bdamerica.org.

BDA Board Members in DC

On June 15 and 16 the BDA board will be in Washington, DC for a series of meetings with Federal regulators, legislators and policy makers. This is an annual meeting for the BDA board where the BDA’s priorities are advanced among the most senior Federal regulators and policy makers in Washington, DC. A detailed summary will be provided after the meetings but for more information please contact Mike Nicholas at mnicholas@bdamerica.org or 202.204.7901.

Meetings are scheduled with:

- SEC Chair Mary Schapiro
- SEC Commissioners Troy Paredes and Elisse Walter
- FINRA CEO Rick Ketchum and fixed income general counsel Marc Menchel
- MSRB Executive Director Lynnette Hotchkiss
- Treasury Assistant Secretary Mary Miller
- Federal Reserve Board Governor Elizabeth Duke

The board intends to raise several **issues**, including:

- Tax Reform
- Fiduciary Standard Proposal for BDs
- G23 and Definition of Municipal Advisor
- TRACE Expansion
- Fixed Income Markup Guidelines
- Primary and Secondary Market Disclosure

**Fixed Income Legal & Compliance Roundtable**

The BDA Legal and Compliance Committee will meet in Washington on June 23 for a roundtable with FINRA and the MSRB, followed by a committee meeting. We believe this will be an excellent opportunity for firms to raise issues with the regulators and we encourage all members of the committee to attend.

**BDA Hires Jessica Giroux**

The BDA continues its growth with the hiring of Jessica Giroux as Vice-President. Jessica has extensive experience at the federal, state and local levels, having worked most recently for New York State Senator James Alesi (R) as his counsel and chief of staff and also having worked in the New York City Washington Office. Jessica will start in July and will be an outstanding addition to the BDA team.

**Heads of Fixed Income Roundtable**

On August 10 in Chicago, the BDA will host our annual Heads of Fixed Income Roundtable. This three-hour roundtable will feature 30 heads of fixed income from middle market dealers to discuss key issues of concern and to network among industry colleagues. More information on this roundtable is coming soon.
**Compensation Survey**

The BDA is currently gathering data for our annual Fixed Income Compensation Survey for middle market securities dealers. This survey covers dozens of positions within fixed income ranging from CEO and head of fixed income to research analyst and sales assistant. For a copy of last year’s executive summary please contact Mike Nicholas at mnicholas@bdamerica.org or 202.204.7901.

Thanks for your support!