Dear Mr. Smith:

Public Financial Management, Inc. and PFM Financial Advisors LLC (collectively “PFM”) appreciate the opportunity to respond to MSRB Notice No. 2017-22¹ (“Notice”) issued by the Municipal Securities Rulemaking Board (“MSRB”). PFM has been in existence for over 40 years, is the nation’s largest independent municipal advisor and is the top-ranked municipal advisor in the nation in terms of both number of transactions and total dollar amount according to Thomson Reuters as of December 2017.

While PFM recognizes the importance of all topics presented for comment in the Notice, PFM wishes to focus its comments on what we deem to be two critical topics requiring the most immediate resolution: (1) Stakeholder Engagement, and (2) Interpretive Guidance, Advisories, Compliance Resources and Regulatory Reminders. Development of these topics is key to guiding compliance for market participants, and presents opportunities for both the MSRB and market participants to improve the rulemaking process and associated regulatory compliance activities.

**Stakeholder Engagement**

PFM appreciates the MSRB’s efforts at hosting and participating in public and regulatory events with market participants and other municipal market stakeholders. We believe these efforts further the mission of the MSRB as a Self-Regulatory Body, and provide valuable opportunities for all parties to understand both the MSRB’s rulemaking rationale as well as the concerns of market participants about compliance with the rules and guidance. However, we are continually concerned with the inability to gain meaningfully broad engagement and meaningful interaction in the efforts to properly address the varied dynamics of municipal advisor activities.

PFM believes that the MSRB should consider designing its regulatory and other public presentations to include more specific discussions of the rationale for particular rules and

¹ MSRB Notice 2017-22 (Nov. 16, 2017).
related guidance, as well as specific issues raised by market participants. The MSRB equally should solicit both oral and written feedback from market participants on specific questions and concerns about the implementation of a rule or interpretation, and address these issues in its presentations or other forms of direct engagement. In addition, presentations could also include discussions, where appropriate, about fact patterns (either generic or actual) that have arisen, and the factors or other considerations for practical approaches and/or compliance solutions. PFM is certainly not suggesting that the MSRB provide legal advice in these instances; instead we are suggesting that the MSRB consider including in its public presentations specific discussions of issues raised by market participants as well as compliance concerns or common compliance considerations.

**Interpretive Guidance, Advisories, Compliance Resources and Regulatory Reminders**

**More Industry Engagement and Rigorous Protocol in Developing Guidance and Advisories; More Published Guidance.** PFM believes that much more input, discussion and analysis from a broad group of market participants and professionals should precede the publication of any interpretive guidance or advisory. Accordingly, the MSRB should consider instituting a more rigorous and formal protocol in developing its interpretive guidance and advisories, and publishing of its rule interpretations to aide in transparency amongst registrants.

A more rigorous protocol for guidance and advisories would include formal and meaningful input from industry participants and the SEC prior to final effectiveness. Meaningful input would include one or more rounds of a request for comment from professionals and industry participants, more formal and informal discussions with industry participants, and discussions and analyses of the application of the guidance or advisory to various scenarios fitting of the wide-ranging circumstances for municipal advisors and their issuer clients. This process will undoubtedly aid the development of interpretive guidance and advisories as well as distinguish those interpretations that are more appropriately suited to the process of formal rulemaking.

We also believe that the MSRB should also seek to develop a mechanism to share more of its informal guidance and rule interpretations with market participants at large. Publication of all rule interpretations and guidance, informal or otherwise, would level the playing field between market participants and SEC/FINRA examiners, and aid market participants in developing more effective compliance policy and procedural guidance.

PFM recognizes that not all possible scenarios can be addressed, and that new situations will invariably present circumstances not previously contemplated. However, the goal of interpretive guidance and advisories is, presumably, to aid a market participant’s consideration of the presented facts and circumstances with analysis and judgement in applying rules and guidance to its advisory activities. This goal can be achieved by inviting greater industry input to ensure that the understanding of the practices or situations the rule or guidance is designed to address are accurate and timely, and that the application of the rule or guidance will achieve the
desired result. The industry must equally seek to provide constructive feedback (both orally and in formal written form) to most readily achieve this objective without unnecessarily becoming instead engaged in distractions from the mutual goal within the known scope of the MSRB’s mission.

PFM appreciates the efforts of the MSRB to consult with industry participants in its rulemaking efforts and is ready to answer any questions you may have or provide further feedback. Please feel free to contact me.

Sincerely,

Leo Karwejna
Managing Director, Chief Compliance Officer