

August 25, 2014

Mr. Ronald W. Smith
Corporate Secretary
Municipal Securities Rulemaking Board
1900 Duke Street, Suite 600
Alexandria, VA 22314

Re: Request for Comment on Revised Draft MSRB Rule G-42, on Duties of
Non-Solicitor Municipal Advisors: MSRB Regulatory Notice 2014-12

Dear Mr. Smith:

Zions First National Bank (“Zions Bank”) appreciates this opportunity to provide comments to the Municipal Securities Rulemaking Board (“MSRB”) pertaining to revised draft Rule G-42 regarding enhanced standards of conduct and duties of municipal advisors when engaged in municipal advisory activities (the “Re-proposed Rule”). We would like to focus our comments on the prohibition contained in the Re-proposed Rule against principal transactions between municipal entities and their municipal advisors and transitional provisions for the implementation of the Re-proposed Rule.

We recognize that the purpose of imposing a fiduciary duty on municipal advisors is to ensure that municipal entities are adequately served and represented by their advisors. We believe that such a standard is satisfied in situations where (1) the municipal advisor provides full disclosure of the nature of its arm’s-length role in the principal transaction prior to the time that the municipal entity agrees to engage in the principal transaction; and (2) the municipal entity consents to engaging in the principal transaction. Similarly, we note that registered investment advisers (“RIAs”) are permitted to engage in principal transactions with disclosure to and consent by their advisory clients and that bank fiduciaries are, in certain situations, permitted to engage in principal transactions with their fiduciary clients. We would suggest that the disclosure and consent model applicable to RIAs be adopted regarding principal transactions between municipal advisors or their affiliates and the clients of the municipal advisors.

We also urge the MSRB to provide a transitional provision in the Re-proposed Rule to permit advisors to honor their existing financial advisory agreements with advised clients. Many of these agreements are multi-year contracts. Many financial advisory firms have a large number of existing financial advisory agreements, and a significant amount of time and expense would be required to supplement or amend these agreements with the additional content and disclosures required by paragraph (c) of the Re-proposed Rule. In addition, municipal entities may conclude under the particular state and/or local procurement laws applicable to them that an amendment to an existing municipal advisory agreement made to comply with provisions of the Re-proposed Rule might require the reopening of the request for proposal process for issuers to hire municipal advisors. Such a process could require a significant amount of time, effort and expense for

municipal advisors and their clients to implement, sometimes requiring publications of public notices and public hearings.

Accordingly, we ask the MSRB to allow firms to continue to operate under existing advisory agreements until they expire and then to enter into new agreements that meet all of the Rule G-42 requirements. We would propose that the MSRB allow firms to continue to operate under existing advisory agreements until they expire and then to enter into new agreements that meet all of the Rule G-42 requirements. As part of such a transition, municipal advisors could provide to their advisory clients, within a reasonable period of time such as sixty days after the effective date of a final rule, appropriate disclosures of material conflicts and disciplinary actions required by the Re-proposed Rule. Other than such disclosures, we believe that contracts in place on the effective date of a final rule should be honored and allowed to run their course until termination in accordance with their terms, whereupon the required contractual provisions of the Re-proposed Rule would be required in all new municipal advisory agreements between the parties.


We believe our position on these matters would be beneficial to all interested parties and we would welcome an opportunity to discuss these issues further. We hope our comments will provide additional context and insight into an important and challenging issue.

If you have any questions concerning this letter or would like to discuss these observations further, please feel free to contact Gary Hansen at Zions First National Bank, Investment Division, One South Main, 17th Floor, Salt Lake City, Utah 84133; Telephone: 801-844-7762; E-Mail: Gary.Hansen@zionsbank.com.

Very truly yours,

ZIONS FIRST NATIONAL BANK

By



W. David Hemingway
Executive Vice President