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Public Financial Management

April 8, 2011

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

Re: MSRB Notices 2011-13 and 2011-14

Draft Interpretive Notice Applicable to Rule G-17 and
Draft Interpretive Notice to Proposed new Rule G-36

Dear Members:

The Municipal Securities Rulemaking Board ("Board") has requested comments on draft Interpretive Notice Applicable to Rules G-17 and new Rule G-36. Kindly treat this letter, two copies of which are submitted, as a response to each of MSRB Notice 2011-13 and Notice 2011-14.

I serve as General Counsel to Public Financial Management, Inc. ("PFM"), a municipal advisor registered with the Board. The following comments are submitted on behalf of PFM.

PFM has no comment with respect to the substance of Rule G-17 and proposed Rule G-36. PFM recommends, however, as to the final version of the Board's Interpretive Notice which will accompany Rule G-17 and that which will accompany the final version of Rule G-36, that the Board make clear that Rule G-36 applies fully to a broker dealer who engages in municipal advisory activities with a municipal entity exclusive of the purchase of municipal securities, as described in Section 2(a)(11) of the Securities Act. The Board's only reference to the duties of brokers acting as municipal advisors is the obscure comment in Notice 2011-14 that if the Commission revises its position stated in Release No. 34-63576, the Board would "reconsider the provisions of the notice concerning limitations on principal transactions."

PFM objects to the Board's interpretation of Rule G-17 and Rule G-36 to require a financial advisor to rehearse with its obligated person/client (and obtain the client's written waiver to) a litany of hypothetical, potential "conflicts of interest" alleged to be presented by nearly every form of compensation

employed in advisory engagements. That proposed requirement is insulting to both financial advisors and to municipal governments and seems to demean financial advisors as compared with the Board's treatment of underwriters (as we note below). If the Board truly believed that such alleged conflicts of interest were real, rather than speculative, the remedy would be to prohibit the compensation arrangement, rather than put a municipal government to the choice of consenting to something which the Board says is bad for it, or foregoing the financial advice which it desires to improve its negotiating position vis-à-vis the underwriters.

In substantially all of our financial advisory engagements, our client sets the rules for our compensation, without any room for negotiation. We accept that structure, and we perform our job professionally to satisfy our own high standards, which are mirrored in Rules G-17 and G-36. And in substantially all instances, we do not get paid for services relating to a bond offering unless the offering is sold. Prior to the publication of MSRB Notices 2011-13 and 2011-14, it would have been bizarre indeed for PFM to admonish an experienced municipal government financial officer, as the Board demands, to "be careful" because we may be motivated to "fail to do a thorough analysis of alternatives" or because we may urge the government to sell more bonds than it really needs.

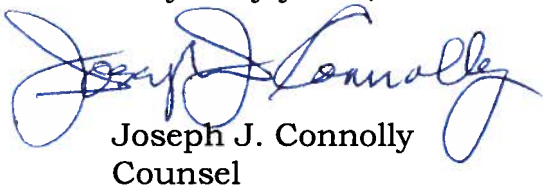
When compared with the treatment of government engagements of underwriters, on the other hand, the Board has shown some confidence in the skill of local financial officials. Municipal dealer underwriters have been subject to Rule G-17 for 35 years, but the Board has never required underwriters to admonish municipal issuers that "we will squeeze every nickel - - your nickels - - out of this deal that we possibly can." That's not a hypothetical, possible conflict of interest. That's a reality that every municipal issuer faces. However, the Board has seen no reason to be sure that the municipal government is on alert - - although, to be sure, we expect that the Board contemplates that the proposed admonitions of potential conflicts of interest will equally be required of brokers who engage in municipal advisory activities with government issuers.

Finally, the requirement that a financial advisor unroll a scroll of Board-conceived "conflicts of interest" to set the table for discussions with a municipal client seems unprecedented. To begin with, in most instances the municipal financial officials set the compensation rules even before a financial advisor is selected. Moreover, we know of nowhere else in the federal securities law in which regulation injects into a private transaction a formality which

necessarily rests on the sole presumption that one of the parties will violate the law. If the federal regulator, as it must, assumes that a financial advisor will observe the fiduciary duties which the law imposes, a regulation requiring an advisor to admonish its client as to situations in which the advisor allegedly might be tempted to subordinate the interests of the client cannot be said to be contemplated by statute. If, on the other hand, the federal regulator assumes that the financial advisor will violate the law, the admonitions to the client invented by the Board that every form of compensation that the client may select can be problematic can do nothing to protect the client from the advisor's invisible self-service - - the "waiver" of the client is, of course, useless. And the enforcement regulator is in exactly the same position as it would be if the admonitions and the waiver had never taken place.

For the foregoing reasons, PFM submits that the provisions of the subject Notices relating to alleged conflicts of interest in the method of computation of compensation of municipal advisors should be deleted.

Very truly yours,



Joseph J. Connolly
Counsel

JJC:plj