



**April 21, 2015**  
**2015 Edition, Issue XI**

If you have any questions regarding the matters discussed in this memorandum, please call one of the following representatives in the Political Law Group (Washington, D.C. office) or your regular Skadden contact.

**Kenneth A. Gross**  
Partner | 202.371.7007  
[kenneth.gross@skadden.com](mailto:kenneth.gross@skadden.com)

**Ki P. Hong**  
Partner | 202.371.7017  
[ki.hong@skadden.com](mailto:ki.hong@skadden.com)

**Matthew Bobys**  
Counsel | 202.371.7739  
[matthew.bobys@skadden.com](mailto:matthew.bobys@skadden.com)

**Melissa Miles**  
Counsel | 202.371.7836  
[melissa.miles@skadden.com](mailto:melissa.miles@skadden.com)

**Patricia Zweibel**  
Counsel | 202.371.7089  
[patricia.zweibel@skadden.com](mailto:patricia.zweibel@skadden.com)

**Shayla Parker**  
Associate | 202.371.7534  
[shayla.parker@skadden.com](mailto:shayla.parker@skadden.com)

**Charles Ricciardelli**  
Associate | 202.371.7573  
[charles.ricciardelli@skadden.com](mailto:charles.ricciardelli@skadden.com)

**Tyler Rosen**  
Associate | 202.371.7035  
[tyler.rosen@skadden.com](mailto:tyler.rosen@skadden.com)

**Kelvin Reese**  
Head Political Reports Analyst  
202.371.7498  
[kelvin.reese@skadden.com](mailto:kelvin.reese@skadden.com)

**MSRB's Rule G-42 Submitted to SEC for Approval; Rule G-44 Now in Effect**

This mailing is to inform you that the Municipal Securities Rulemaking Board (MSRB) recently submitted Proposed Rule G-42 (standards of conduct for nonsolicitor municipal advisors) to the Securities and Exchange Commission (SEC) for approval, and to remind you that MSRB Rule G-44 (supervisory and compliance obligations of municipal advisors) is now in effect. We have in prior mailings sent detailed summaries of both rules. Please let us know if you have any questions on the substance of those requirements.

**MSRB Proposed Rule G-42**

On April 15, 2015, the MSRB announced that it submitted Proposed Rule G-42 (setting forth duties of nonsolicitor municipal advisors), with conforming changes to MSRB Rule G-8 (records) (the Proposed Rule), to the SEC for approval. See prior [mailing](#) dated August 1, 2014, which summarized the MSRB's most recent draft Rule G-42 (the Draft Rule).

Based on the MSRB's February 2015 update regarding the status of the Proposed Rule, the next step should be for the SEC to publish the Proposed Rule in the Federal Register. A public comment period should follow, after which the SEC will have 45 days (or more, if extended) to act on the Proposed Rule. In the February update, the MSRB stated that it expects the Proposed Rule to take effect six months after it is approved by the SEC.

The MSRB's press release announcing the submission to the SEC is [here](#).

The link to the MSRB's Proposed Rule submitted to the SEC is [here](#) (Proposed Rule text starts on page 631).

The Proposed Rule largely mirrors the Draft Rule but makes some clarifications and changes, including the following:

- **Specified Prohibitions:** The Draft Rule would have prohibited municipal advisors from making payments for the purpose of obtaining or retaining an engagement to perform municipal advisory activities, with an exemption for reasonable fees paid to another registered municipal advisor for a solicitation of a municipal entity or obligated person.
  - The Proposed Rule retains the prohibition and clarifies that the exemption extends to payments to the municipal advisor's affiliate or a third-party municipal advisor for communications to obtain or retain an engagement to perform municipal advisory activities, and payments that are permissible "normal business dealings" under MSRB Rule G-20.
- **Disclosure to Investors:** The Proposed Rule deletes Draft Rule Supplementary Material .08, which would have required that if all or part of a document prepared by a municipal advisor or its affiliate is included in an official statement for an issue of municipal securities by a municipal entity or obligated person client, the municipal advisor must disclose in writing to investors any affiliate that provided any advice, service or product to or on behalf of the client related to the municipal advisory activities, as a material conflict of interest. The corresponding provision of the draft amendment to Rule G-8 is also deleted.

*(continued on next page)*

- Principal Transactions: The Proposed Rule adds Supplementary Material .11, which provides that for purposes of principal transactions, the phrase “other similar financial product” includes a bank loan, but only if it is in an aggregate principal amount of \$1 million or more and it is economically equivalent to the purchase of one or more municipal securities.

**MSRB Rule G-44**

MSRB Rule G-44, with conforming changes to MSRB Rules G-8 (records) and G-9 (preservation period), became effective on April 23, 2015 (with the exception of the annual certification requirement in MSRB Rule G-44(d), which does not become effective until April 23, 2016). MSRB Rule G-44 requires municipal advisors to establish, implement and maintain a system to supervise their municipal advisory activities and those of their associated persons that is reasonably designed to achieve compliance with all applicable securities laws and regulations.