



441 G St. N.W.
Washington, DC 20548

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November 26, 2013

The Honorable Tim Johnson
Chairman
The Honorable Michael D. Crapo
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Subject: *Securities and Exchange Commission: Registration of Municipal Advisors*

Pursuant to section 801(a)(2)(A) of title 5, United States Code, this is our report on a major rule promulgated by the Securities and Exchange Commission (Commission) entitled "Registration of Municipal Advisors" (RIN: 3235-AK86). We received the rule on September 26, 2013. It was published in the *Federal Register* as a final rule on November 12, 2013, with a stated effective date of January 13, 2014. 78 Fed. Reg. 67,468.

The final rule establishes a registration regime for municipal advisors and imposes certain recordkeeping requirements on such advisors. Through promulgation of this final rule the Commission is adopting new Rules 15Ba1-1 through 15Ba1-8, new Rule 15Bc4-1, and new Forms MA, MA-I, MA-W, and MA-NR.

Enclosed is our assessment of the Commission's compliance with the procedural steps required by section 801(a)(1)(B)(i) through (iv) of title 5 with respect to the rule. Our review of the procedural steps taken indicates that the Commission complied with the applicable requirements.

If you have any questions about this report or wish to contact GAO officials responsible for the evaluation work relating to the subject matter of the rule, please contact Shirley A. Jones, Assistant General Counsel, at (202) 512-8156.

signed

Robert J. Cramer
Managing Associate General Counsel

Enclosure

cc: Elizabeth Murphy
Secretary
Securities and Exchange Commission

REPORT UNDER 5 U.S.C. § 801(a)(2)(A) ON A MAJOR RULE
ISSUED BY THE
SECURITIES AND EXCHANGE COMMISSION
ENTITLED
"REGISTRATION OF MUNICIPAL ADVISORS"
(RIN: 3235-AK86)

(i) Cost-benefit analysis

The Securities and Exchange Commission (the Commission) discussed the economic impacts of this final rule. The Commission stated that in adopting the rule, it considered the costs and benefits that accrue from subjecting municipal advisors and municipal advisory activities to a regulatory regime. The Commission referred to those costs and benefits as "programmatic" costs and benefits. According to the Commission, the programmatic costs and benefits informed its decisions and actions in defining municipal advisor and related terms, its interpretations of the statutory exclusions, and its decision to provide further exemptions from the definition of municipal advisor as described throughout the release. The Commission also considered the costs that persons will incur to assess whether registration as a municipal advisor is required (*i.e.*, "assessment" costs), as well as the costs and benefits that will accrue from the requirement that municipal advisors register with the Commission (*i.e.*, "registration" costs and benefits) and maintain the books and records as required by this rule (*i.e.*, "recordkeeping" costs and benefits).

The Commission stated that it believes this final rule should result in a number of benefits, including increasing the amount of publically available information about municipal advisors and enhancing the ability of securities regulators to oversee municipal advisors.

(ii) Agency actions relevant to the Regulatory Flexibility Act (RFA), 5 U.S.C. §§ 603-605, 607, and 609

The Commission prepared a Final Regulatory Flexibility Analysis for this final rule which included a discussion of (1) the need for and objectives of the rule, (2) significant issues raised by public comment, (3) small entities subject to the rule, (4) reporting, recordkeeping, and other compliance requirements, and (5) agency actions to minimize effects on small entities.

(iii) Agency actions relevant to sections 202-205 of the Unfunded Mandates Reform Act of 1995, 2 U.S.C. §§ 1532-1535

As an independent regulatory agency, the Commission is not subject to the Act.

(iv) Other relevant information or requirements under acts and executive orders

Administrative Procedure Act, 5 U.S.C. §§ 551 et seq.

On December 20, 2010, the Commission published a proposed rule. 76 Fed. Reg. 824 (Jan. 6, 2011). The Commission received over 1,000 comment letters on the proposal from municipal advisors, municipal entities, broker-dealers, banks, accountants, lawyers, engineers, registered

investment advisors, organizations representing industry participants, investors, the Municipal Securities Rulemaking Board, and Members of Congress, among others.

Paperwork Reduction Act (PRA), 44 U.S.C. §§ 3501-3520

The Commission determined that this final rule contains information collection requirements under the Act and submitted these requirements to the Office of Management and Budget (OMB) for review. The title for these information collection requirements is “Rules 15Ba1–1 to 15Ba1–8—Registration of Municipal Advisors” and has OMB Control Number 3235–0681. The Commission estimates that the total initial burden for all respondents will be approximately 51,727 hours, while the total ongoing annual burden for all respondents will be approximately 183,281 hours. The total initial outside cost for all respondents will be \$365,800 while the total ongoing outside cost for all respondents will be \$40,900 per year.

Statutory authorization for the rule

The Commission promulgated this final rule under the authority of the Exchange Act, specifically, sections 15B, 17, and 36. 15 U.S.C. §§ 78o–4, 78q, 78mm.

Executive Order No. 12,866 (Regulatory Planning and Review)

As an independent regulatory agency, the Commission is not subject to the review requirements of this Order.