



**National Association of Independent
Public Finance Advisors**

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Mr. John Cross
Director of Municipal Securities
100 F Street NE
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Dear Mr. Cross

Thank you for meeting with us recently to discuss current developments relating to the regulation of Municipal Advisors, and for giving us the opportunity to introduce ourselves to you. In this regard, we would like to offer some additional information about our organization and the role independent financial advisors play in the municipal market.

The National Association of Independent Public Finance Advisors (NAIPFA) was founded in 1980 as a professional organization formed to represent the interests of independent public finance advisory firms. NAIPFA is comprised of 36 independent financial advisory firms providing Municipal Advisory services in all fifty states.

Independent financial advisors have traditionally been defined as those individuals who provide advice relating to the issuance of municipal securities to municipal entities and obligated persons, but who are not associated with broker-dealer firms. Historically, independent public finance advisors offered a wide variety of consulting services to issuers and obligated persons in areas which prior to Dodd-Frank often overlapped the kinds of services provided by broker-dealers serving in the capacity of underwriter. It was this overlapping of services that led many municipal entities to be confused as to which market participants were acting in their best interest, often resulting in the issuer placing an undue amount of trust in their underwriter which at times had a detrimental effect on the issuer's tax payers and/or their own finances.

NAIPFA members differ from Municipal Advisors associated with broker-dealer firms in several key respects: our members do not engage in the underwriting or trading of municipal securities; our members do not act as counterparties on swap financings; and, except for the small number of firms that are investment advisers, our members do not recommend particular investments or have custody or control of client funds. Many independent Municipal Advisors are former investment bankers, bond attorneys, or government finance officers who realized that the conflict of interest that exists when an underwriter provides advice to an issuer on matters such as the timing, terms, and structure of a municipal financing was impossible to manage and, as a result, determined to start their own practices in order to provide greatly needed independent advice to municipal entities.

NAIPFA member firms tend to be small with the average number of Municipal Advisors per firm being between three and four. Approximately two-thirds of NAIPFA member firms have five or fewer Municipal Advisors. In fact, only four member firms have twenty or more employees who may be considered Municipal Advisors.

Our member firms take a great deal of pride in providing unbiased independent public finance advice to their municipal entity and obligated person clients. In addition, our members believe that under no circumstances will the interests of a municipal entity be best served in the absence of a Municipal Advisor. We understand that there may be concern among some market participants that issuers will not be able to receive the information necessary to successfully carry out a municipal securities issuance if underwriters are limited in their ability to provide certain kinds of services. However, NAIPFA member firms alone serve clients in all fifty states and we do not believe that this is a legitimate concern since there are an ample number of capable and willing Municipal Advisors available to provide advice to municipal entities when an underwriter is unable or unwilling to serve in such a capacity.

Finally, we would like to reiterate our belief that the Dodd-Frank Act made the distinction between Municipal Advisors and underwriters clear and unequivocal; when an individual provides advice to a municipal entity or obligated person regarding a municipal securities issuance or municipal financial product, the individual providing such advice is acting as a Municipal Advisor and should be deemed as such, whereas an individual who undertakes a course of conduct consistent with Section 2(a)(11) of the Securities Act of 1933, acts as an underwriter and should be deemed as such.

Thank you again for your time and consideration.

Sincerely,

Jeanine Rogers Caruso
President, National Association of Independent Public Finance Advisors