

Muni Market – Three Things on the Radar Screen

AMWA Annual Meeting
2011

“The times they are a’changin.’”

- Issuers will be affected
 - Change in borrowing costs?
 - Changes in underwriting costs?
- Thoughts expressed here do not necessarily reflect my views
 - Observations not opinions (I hope!)

Tax-Exemption – Dead or Alive?

- Budget crisis in Congress
- By December – everything will be on the table
- Many variants possible
 - Example: No tax-exemption
 - Example: No tax-exemption but BABs with 28% subsidy if sold through competitive bid
 - Example: tax-exemption limited to Gos
 - Example: Herman Cain's plan

Muni Advisors – Negotiated Underwriting

- MSRB Rule G-23
 - Changed to prohibit a “municipal advisor” from serving as underwriter
 - Brought about by abuses
 - SEC investigations
- **IMPORTANT UNRESOLVED QUESTIONS:**
 - Who is a “municipal advisor”
 - What constitutes “muni advisory services”
 - SEC to decide

Impact on Underwriting Process

- Current status – negotiated underwriting
 - Muni advisory services are bundled with underwriting
 - Issuers like the convenience of “one-stop shopping”
 - Tended to distinguish between underwriting firms by advisory services
- Issuers will need to hire muni advisors that are not on underwriting team
 - Contract term
 - Compensation

Issuer Disclosure

- Pressure builds
- Muni market more connected to other fixed-income markets than in the past
- MSRB information systems modified to handle load
- SEC push
- Fate of tax-exemption will affect pressure