

TESTIMONY OF
KEITH D. CURRY
MANAGING DIRECTOR
PUBLIC FINANCIAL MANAGEMENT
MAY 21, 2009

Mr. Chairman, Ranking Member Bachus, members of the committee, my name is Keith Curry, I am a Managing Director of Public Financial Management Inc. ("PFM") and the past president of the National Association of Independent Public Finance Advisors. In addition, I bring the perspective of also being the Mayor Pro Tem of the City of Newport Beach, California.

For nearly 22 years, I have been a financial advisor to state and local governments throughout the nation, advising on more than \$14 billion in financings.

Let me say on behalf of Public Financial Management, the largest independent financial advisory firm in the nation, and on behalf of the members of NAIPFA, that we support your efforts to promote transparency and accountability in the financial advisory industry. We are proud to note, that in the 34 year history of PFM, and in the 20 year history of NAIPFA, our firm and NAIPFA members have never been associated with any of the scandals that have rocked the municipal market. Indeed, NAIPFA members have long ago adopted campaign contribution limitations to eliminate pay to play. We have established a test for professional competency leading to the certification of practitioners as Certified Independent Public Financial Advisors and we have a strong code of ethics.

We would offer the following comments for your consideration.

PFM does not quarrel with the proposal to require municipal financial advisors register with the SEC, although it is appropriate to emphasize that there is no demonstrated need for registration and regulation to protect investors. As far as I know, every publicized instance of abuse of investors or municipal issuers in the last decade has involved broker firms which already were registered with the Commission.

We believe that the Committee Draft Bill has taken the correct approach in looking to the Commission to provide regulatory oversight of municipal financial advisors. The SEC fully understands the debt offering process and the roles which professionals play. We urge the Committee to resist the brokerage community's predictable efforts to subject financial advisors to the Rules of the Municipal Securities Rulemaking Board ("MSRB"). The MSRB is a captive of the brokerage firms who on one day compete with the independent financial advisors for the role of advisor to municipal governments, and on another day seek the highest rate of interest as the underwriter of municipal debt. It is the local governments, and their taxpayers, who are best served by preserving the strong voice of the independent advisor.

We applaud the Committee Draft Bill in focusing regulatory oversight on the maintenance of professional qualifications and fair practice standards for all financial advisors. This elevates the professionalism of the entire municipal finance community. We also endorse SEC rules to avoid conflicts of interest and to eliminate improper influence of political contributions. Our firm individually and NAIPFA for the independent advisors as a whole have urged these measures. Unfortunately, when NAIPFA went to the MSRB to seek stronger rules against brokers taking both sides in municipal debt offerings, that proposal was rejected by the MSRB.

PFM believes that the Committee Draft Bill should be properly strengthened by extending any “Duty of Care” (Paragraph (e)) to all securities professionals serving as municipal financial advisors - - not just those who would be newly regulated under this Bill. By historical experience, the danger of abuse and dishonesty is presented by those who are already registered with the SEC as brokers. All those participants in the securities process who serve as financial advisors should be bound by the fiduciary principles of this Bill, particularly those who are registered under Section 15 of the Exchange Act. It is said of this proposed landmark legislation that it is intended to “level the playing field” in municipal finance. That goal will fail if the brokerage firms are excluded from the duties which are imposed on their competitors.

Undoubtedly the special interest groups will be here in full armor to seek exemptions for the banks, the financial advisors that operate in a limited territory, the firms that have a limited number of transactions, and others. We urge the Committee to resist those pleas. The municipal finance world is made-up of a universe of different players - - but they all should have the same ethical requirements and the same professional duties.

In summary, we support efforts to ban pay-to-play, to provide for a standardized licensing and competency assessment process, to prohibit practitioners with prior records of fraudulent activity, and to insure that a standard of professional care is established for the industry.

We encourage the Committee to pay special attention to the phase-in period so as to not disrupt the municipal finance industry or to delay planned state and local financings.

Be assured of our continued partnership to improve the transparency and fair operations of the municipal securities market.