

**Securities and Exchange Commission Historical Society**  
**Interview with Leslie Norwood**  
**Conducted on April 9, 2014 by William Thomas**

**WT:** This is an interview with Leslie Norwood for the SEC Historical Society's virtual museum and archive of the history of financial regulation. I am William Thomas and the date is April 9th, 2014, and we are at SIFMA in New York. So, thanks very much for speaking with us today. Why don't you begin by telling us a little bit about where you're from, how you came up through school, how you got into law, that sort of thing?

**LN:** Sure. I'm a first-generation American. My mother was born in Brazil; my father was born in Ireland. So I come from a very international background. I grew up in Summit, New Jersey, after having been born in New York City. I went to University of California at Berkeley for my undergraduate work, went to law school at Boston University and then ended up back in New York to start my practice of law.

**WT:** Could you tell me a little bit about how you ended up choosing law? Did you always intend to do that? Was it something you were encouraged to do?

**LN:** It was certainly something I was encouraged to do, and I'd always had a mindset towards public service. I had considered politics in my youth. I had considered working for the Foreign Service and studied foreign languages throughout my academic career. I had actually also applied for West Point, and I gained acceptance to West Point, but when it came down to finally choosing my career path, law seemed like a very attractive idea.

**WT:** Okay. And so did you think that you were going to go into public finance law while you were still at BU?

**LN:** No. I actually didn't know anything about public finance law. I had spent a year in between undergraduate school and law school trying to learn a little bit more about law, and I worked at a small publishing company called Nolo Press that did self-help law. I really only learned about public finance law when I interviewed at a firm then named Brown & Wood. Frank Robinson, who was then the head of the public finance department at Brown & Wood, interviewed me for an open position as an associate, and it was quite a memorable experience.

Frank had many framed bonds, old-school physical bonds that still had the coupons attached, from the Civil War era. He took them down off his wall and he described to me what public finance was, what municipal bonds were, how to clip the coupons on an old physical bond, and why the coupons were still attached to those old southern Civil War bonds – because they never were paid, of course. In light of the job offers that I accepted, really the concept of public finance and serving the public good appealed to me, and I ended up at a position at Brown & Wood.

**WT:** And that eventually became Sidley Austin?

**LN:** Sure, after many years. I started at Brown & Wood after I sat my second round of bar exams. My first bar exam was California, and I sat for New York and New Jersey the

following seating in February, and immediately thereafter started at Brown & Wood in 1998 – I started in March then with Brown & Wood. My first transaction actually at Brown & Wood was very interesting. I wrote the ballot question for a \$1.5 million park deal, and everybody in a certain North Carolina town voted on the ballot question, and it was approved and I did the documentation for it and they built a park next to a school. So that really culminated, in terms of me feeling like I had made the right decision to enter public finance law, and that appealed to my sense of public service.

The merger with Sidley Austin occurred in May of 2001. It was very memorable to me, as I was on the hiring committee for Brown & Wood at the time. And so in the hiring period for new lawyers throughout August and September of 2001, instead of having all the hiring committee meetings at the Brown & Wood offices at 1 World Trade Center, we were alternating between Sidley's New York offices, which were at 875 Third Avenue in New York and the Brown & Wood offices at 1 World Trade Center. So on 9/11, that Tuesday morning at 8:30, I was actually at 875 Third for our meeting that was alternating up to midtown that day, and so was luckily out of the office on that monumental and unfortunate day.

**WT:** Could you tell me a little bit about your responsibilities, what sort of things you were doing there at Brown & Wood, Sidley Austin?

**LN:** Sure. I worked on a variety of transactions with a lot of partners at Brown & Wood that provided great mentorship and training for me. I worked with Frank Robinson on a lot of

transactions in the Commonwealth of Virginia, including Virginia Public School Authority, the general obligation bonds for the Commonwealth of Virginia. I worked with Peter Michel, who really provided excellent training and insight into the business in a lot of hospital transactions in North Carolina; and with Charlie Sanders, who I worked with in Industrial Development Authority deals in New York City, including Lighthouse for the Blind and various museums.

**WT:** Was it pretty much a national practice or was it East Coast, heavily New York City?

**LN:** Sidley Austin at that time had a national practice. There was public finance attorneys both in the West Coast, also in the Midwest, and in New York. The primary practice really was California and the West Coast and East Coast, but we did do bond deals all across the country.

**WT:** Was it largely very large deals, were they all sizes?

**LN:** I would say many large deals down to medium size, but very few small deals, mostly just as an accommodation for existing clients.

**WT:** How was the work divided up between issuers, underwriters, and so forth?

**LN:** We did both bond counsel work and underwriter's counsel work. It just depends on how the engagement came in and through what existing clients.

**WT:** Were there any particularly difficult or interesting legal issues that came up often?

**LN:** I certainly think that there were a lot of different interesting legal issues, and I got a lot of great background into different types of transactions. I worked on certificates of participation, general obligation bonds, different types of, as I described, pooled financings with the Virginia Public School Authority and their local government investment pool, different types of structures. I worked on transactions with American Municipal Power of Ohio for public power plants, so really all different types of issuers and all different types of transactions.

**WT:** Compared to prior decades – we’ve spoken to people who came into the practice of bond law in the 1970s and 1980s – was it a fairly static time in the practice, or were there in fact major changes that were going on, in your perception?

**LN:** In my mind it was a fairly static time of practice of law. Again, now, we’re talking the time period from 1998 through 2004. The ’86 Tax Act had already happened. The changes to 15c2-12 in ’94, ’95 were largely already assimilated by issuer community, and so there wasn’t a significant amount of regulatory change in the municipal securities market during this time.

**WT:** One of the things that we’re looking at is the development of electronic disclosure. Did you have a lot of experience with the NRMSIR system that was in place at the time?

**LN:** No. Being at a law firm, you really don't have access to Bloomberg or the other NRMSIRs, IDC and Kinney, they were all pay services and so we didn't have exposure to that, no.

**WT:** Why don't we move on, then. I know you were somewhere else briefly before you came to what was then The Bond Market Association. Could you tell me a little bit about the process of transition to TBMA?

**LN:** I was looking for other opportunities. I had been at Sidley for six years at that point, I was a seventh-year associate, and I went to the corporate securities department at Greenberg Traurig for a short time. But an opportunity opened up at then The Bond Market Association which was too good to turn down. I went to work for Lynnette, then Hotchkiss, now Lynnette Kelly, who was heading the municipal securities division at The Bond Market Association, and she had actually been at Brown & Wood and left Brown & Wood two weeks before I started there. So I'd heard of Lynnette before arriving at The Bond Market Association, and certainly I was very aware of the model documents and the many advocacy projects of The Bond Market Association before I arrived here, and was very pleased to join the now-SIFMA team.

**WT:** What was the position that you took?

**LN:** The position I took was the head of the municipal securities division, as Lynnette then moved up and was heading capital markets.

**WT:** And how did you come to that opportunity? Was it something where they sought you out? Was it an ad in the paper or something like that?

**LN:** If I recall correctly – it was quite some time ago, almost ten years to the week now – I was sought out by a recruiter.

**WT:** And just to stick with the institutional story, could you tell me a little bit about the transition into SIFMA? I think you're going to be the only person we have a chance to ask that question to. We talked to Lynnette last week, actually, but we didn't have time for it.

**LN:** Yes. There was seen to be – by the members, the broker-dealers and banks that were members of The Bond Market Association and the SIA – to be synergies between the two groups and opportunities to merge, and this was supported by the membership and a merger then was completed in the early 2000s, in 2006.

**WT:** And was it generally a very smooth process, in your opinion?

**LN:** I think overall it was a smooth process, that there were opportunities that made sense for the merger to happen. The members were behind the merger for efficiency purposes, and

I think that it certainly created some change at the organization and some opportunities as well.

**WT:** Now let's get into a little bit more of the specifics of the market and its regulation. We're of course looking in quite a lot of detail at the pay-to-play regulations; those have been in place for quite some time. What was your perspective of the acceptance of those by the market?

**LN:** I think that the acceptance of pay-to-play rules by the market was very widespread. The Bond Market Association actually spearheaded pay-to-play regulation through its voluntary initiative in the early '90s, I believe in 1994. That actually may have been back to the time in the PSA – that was the name of the organization, Public Securities Association – but the major public finance underwriters came together under the trade association and agreed to severely limit political contributions in exchange for business, essentially, so that was the precursor to G-37.

**WT:** And there was some evolution in the regulations with time. I know that of course there was G-38 as well on consultants, and eventually the ban on consultants. Could you tell me a little bit about that?

**LN:** Sure. The G-38 ban on consultants didn't come about until much later. There were certainly firms that had paid consultants, that were permitted to have paid consultants under the rule, and it was something that the MSRB continued to examine. And then in

light of certain transactions – I believe in the 2008 timeframe, where there were high payments to consultants – they considered the potential impact to the industry of having these consultants continue, and as a result made consultants no longer permitted.

**WT:** Now, I believe the move to ban consultants was something that TBMA at the time opposed?

**LN:** At the time it was something that we did oppose, that there were a lot of firms that had consultants and they felt that consultants could be helpful and at an economical rate in terms of the obtaining and retaining of municipal securities business. But it became inevitable that, at a certain point, with the certain developments in the industry of transactions with, again, some high fees to consultants. And so it became inevitable.

**WT:** So, of course, fraud and enforcement issues are very rare in the municipal bond market, but they do occur. Is it something that TBMA/SIFMA has had to deal with much in its own activities?

**LN:** No. I mean SIFMA has always had a strong position that our members, dealers, and banks alike, should comply with the rules and we have always supported vigorous enforcement of the rules. We've been concerned about regulatory efficiency and how adding additional rules in times of challenge to the market, where there may have been a violation of the rules by a firm, is not necessarily the right thing to do. We very much support vigorous enforcement, and there are always going to be, unfortunately, outliers

who may be a bad player, but we believe that vigorous enforcement of the rules will catch those outlier bad players and that additional rulemaking is not necessarily always necessary.

**WT:** Could you tell me a little bit more in general about when, say, the MSRB is going to make a new rule as to what your interactions with them, or with any other organization like the SEC, would be?

**LN:** The typical process for the creation of a new MSRB rule is the MSRB comes up with a concept about what it wants to change in the rules. It may release concept release. It may discuss with industry members what they're thinking before they release a draft rule proposal. If there is a concept release or a draft rule proposal, SIFMA will take a look at that, we'll respond through the official comment process and may also look to have a sit-down meeting with MSRB staff to discuss our thoughts as the regulated industry members.

Now, that rule, after the comment process of the MSRB, the MSRB may amend the rule or may just forward the proposed rule to the SEC, at which point there would be another request for comment, a twenty-day period. SIFMA then may file a comment letter at the SEC level or not, and then of course the MSRB would be given another chance to change its rule.

**WT:** Let me ask about the other end of the process, which is your interactions with broker-dealers. How does that usually work itself out?

**LN:** SIFMA has a trade association for banks, broker-dealers, and asset managers, and has a vibrant communication with all of its members, and the trade organization works through its committee structure. The municipal division is headed by a municipal executive steering committee. I mean, it's an executive committee which is essentially staffed by volunteer heads of tax-exempt fixed-income at the various banks and broker-dealers on the street, both large firms, regional firms, and small firms all across the country.

We do have various other committees addressing issues that would be of interest to our membership, including a municipal legal advisory committee, municipal operations committee, financial products – which essentially covers derivatives and other types of products – a credit research committee, a broker's brokers committee covering the inter-dealer brokers in the municipal securities market, a syndicate and trading committee, and a policy committee that looks at tax policy and other federal legislative issues related to the issuance of tax-exempt municipal bonds.

**WT:** How often do the committees meet?

**LN:** Depending on the committee, there could be different meeting schedules. Our municipal steering committee meets monthly. Other committees like the syndicate and trading committee may just meet as needed when issues arise.

**WT:** And what is your experience in working with regulators, going back to that side of the equation, of their appreciation of the various intricacies of the municipal securities industry?

**LN:** I think that there is a great appreciation of the intricacies of the municipal securities market by the regulators at the MSRB and the SEC. Certainly, that's been an interesting development as the years have gone on. We are known to be experts in the market, because SIFMA's members, the banks, the broker-dealers on the street are those players that are regulated and are working in the markets every day. Certainly, the MSRB used to have a fifteen-member board which had five bank dealers, five securities dealers, and five independent members. And now after Dodd-Frank and the MSRB was mandated to have an independent board also inclusive of municipal advisors, they now have a twenty-one-member board, which has relatively few members of the broker-dealer community on it.

**WT:** Could you tell me a little bit about participation in the Muni Council? That came up a little bit before you got here I think, but continued on. Does it still continue on?

**LN:** The Muni Council was a loose grouping of issuers, which Lynnette Hotchkiss had been helping to coordinate in her role as head of the municipal securities division at TBMA and SIFMA. It continued for some time after I arrived at The Bond Market Association,

and its goal was to improve electronic dissemination of continuing disclosure information in the municipal securities market.

**WT:** And so eventually, then, Lynnette Kelly goes over to MSRB. Did that change relations with the MSRB at all? And of course, Kit Taylor had been there for thirty years, so I'm curious about if there was a cultural change or anything like that, or a communications change.

**LN:** I don't think there was a communications change, per se. Certainly I had a very good working relationship with Lynnette Kelly, as I had worked under her at The Bond Market Association and SIFMA for many years before she left to go work at the Municipal Securities Rulemaking Board. Lynnette brought a unique set of experiences and skills to the MSRB. Certainly, she had worked at the Association for many years and had heard the issues of the industry, the challenges that they suffer from, and brought that knowledge with her to the MSRB. And of course, she had practiced public finance law for many years as well, and brought those skills with her as well.

**WT:** Could you talk a little bit about, from the TBMA/SIFMA end, of how the run-up to the eventual implementation of EMMA went? Of course, there was the central post office in between and a rather long period of adjustment there. So I'm kind of curious as to what it looked like on this side, since we've gotten the MSRB end of it.

**LN:** It was a long process in my mind, but certainly it was revolutionary for the industry to have the MSRB take on continuing disclosure and put that up on its website for all to see. Certainly the MSRB's development of the EMMA site has been historic. Really, I see The Bond Market Association's website, [investinginbonds.com](http://investinginbonds.com), as being a precursor to the EMMA site as we had the real-time trade reporting data up on [investinginbonds.com](http://investinginbonds.com) on January 31st, 2005. We were the only place to put that information for free across all participants in the marketplace up on the Internet, and I think that helped spur the concept behind EMMA and the idea that information in the municipal securities market should be free for all market participants and easily accessible.

As you alluded to, the Muni Council had decided that as part of its mission that there shouldn't be additional requirements on issuers for filing their continuing disclosure information material event notices. It should be just easier to find that information instead of having it at pay services that investors couldn't access, and instead of filing it at the four or five different NRMSIRs it should be filed at one place. And so it came to be the idea of using the Texas MAC, Municipal Advisory Council of Texas, as kind of a central post office of issuers being able to send the continuing disclosure information material event notices to the CPO and then have the CPO then send the information to the NRMSIRs. So that was really one of the first steps, and then that progressed on to – that was issuers being able to file in an easier manner, and then that progressed on to the MSRB's development of its EMMA system and issuers filing information directly with the MSRB and having the MSRB put it up on its website.

**WT:** Was this something that the broker-dealers had been looking forward to for some time, the rationalization of this process, or was there an adjustment period?

**LN:** I think there was an adjustment period. I think that it ended up being very good for the dealers as well as simplifying the process for issuers, and certainly the group that most benefitted was the investor community.

**WT:** Right. Let's talk a little bit about some of the complex products in the market. Of course we'll want to talk about auction rate securities, but there are also derivatives, VRDOs, bond insurance, which have had an interesting evolution over the past decade or so.

**LN:** Oh, sure.

**WT:** Maybe we could start by speaking generally about how SIFMA has responded to the development of these products and the evolution of the regulation.

**LN:** Sure. Of course SIFMA, as representing the banks and broker-dealers in the market, was always looking for ways to assist its members, and one of the projects that we undertook, before I got to the organization, in the early '90s was the development of an index to replicate, essentially, the swap market. The development of this index was the PSA, then TBMA Municipal Swap Index, which was an index of high-grade variable rate demand obligations, which was published every Wednesday. That turned out to be a very interesting market to follow, particularly as we went into the late 2000s, and early 2000s

actually, to see the challenges in the auction-rate market, the challenges in the VRDO market that followed and how the index reacted.

**WT:** I know the advantages of these products is that they lend more of a flexibility to the market. I wonder if you could elaborate a little bit on how that worked.

**LN:** Well, sure. It depends on the product, of course. And certainly, there are still VRDOs out there. Actually, there are still auction-rate securities out there. No new auction-rates being created, but there are some that are still in existence. Variable rate demand obligations were created because not all state and local governments, or obligated persons, nonprofit borrowers, need to be locked into a long-term debt obligation for thirty years and pay the interest rate related to that. Some are looking to achieve a lower cost of savings, of course, and it was seen that the short-term debt markets provided a lower cost of debt for those borrowers of tax-free municipal bonds.

The VRDO product typically reset at a very short period, either a daily or a weekly rate, and sometimes a little bit more than that, and took advantage of those short term rates, although it was a thirty-year product, but it could also be called in at any point in time if an issuer or borrower wanted to refund. The interesting point about the VRDO market was it did have that typically a letter of credit or a standby bond purchase agreement credit support behind it so that it was a money market eligible product. Of course, the auction-rate securities product sought to lower debt costs for issuers and municipal

borrowers even more by eliminating the credit support of the product, but it would have additional yield for investors.

**WT:** Now, of course before the auction rate market froze up, there was I believe some talk of the proper regulation of those products before that, is that correct?

**LN:** Really, the discussions that I recall about the regulation of auction-rate securities prior to the market freezing related to the accounting treatment of auction-rate securities. The accounting regulators had reclassified auction-rate securities as short-term securities, not cash or cash equivalents, and that was something that was a challenge for the firms to incorporate into their customer statements, and on their own books as well.

**WT:** I see on your résumé here that you were involved afterwards in the Congressional testimony concerning auction rate security, is that correct? That was after the freeze?

**LN:** Yes. And so, certainly after the freeze in the market happened, there were investigations into what had happened in the market and how could the industry and the regulators do better going forward to protect against such unforeseen circumstances, and there was congressional hearings about the auction-rate market.

**WT:** Could we talk a little bit about bond ratings and how that has evolved in the last, say, ten years?

**LN:** Certainly as the bond insurers got downgraded in the late 2000s, which really triggered the crisis in the market, there has been, I would say, a change in how credit analysis has worked in the market. So, I would say about ten years ago there really was a homogenization of the municipal securities product. There was a high degree of bond insurance – I think 60 percent or more of new issues were being insured – and so there wasn't as much credit analysis that needed to be done on each deal. After the crisis in 2008-2009 and bond insurance dropped away on many transactions, there was a resurgence in the importance of credit analysis and kind of looking at the underlying security, even if there was bond insurance on the transaction.

As you look at the timeline, there's just an incredible amount of things that had happened as a result of the downgrade of the bond insurers. The waterfall of what happened in the industry going into early 2008 was unfathomable to most in the industry and certainly to me as well.

**WT:** And then there was the recalibration fairly recently of the ratings, is that correct?

**LN:** Yes. Many of the bond insurers, led by Standard & Poor's I believe, went to corporate equivalent ratings for municipal securities. Municipals were typically rated on a higher scale, or a more difficult, more challenging scale than corporate issuers because of its historically low default rate. Municipal securities that were rated typically had a far less than 1 percent chance of default, and so based off of those qualifications the risk of

default and magnitude of loss, many municipal securities issuers after the calibration to the corporate scale got upgraded significantly.

**WT:** Where did the pressure for that primarily come from?

**LN:** The pressure from that came primarily from the issuer community who felt that they were overpaying for municipal securities ratings, essentially, and for their underwriting, and not getting the rates in the market that they necessarily should for their securities because their ratings were being, in their mind, artificially suppressed to cause a ratings spread across the scale. There was some concern among the investor community that if everything then was rated higher, then there'd be no differentiation in the market. But then again, we come to the rise of the credit analyst.

**WT:** In one or two of my other interviews it's been said that the ratings have become less important, particularly as more information has become available through time. Is that your perception?

**LN:** No, I would say for the sophisticated investor, the professional investor, that would be certainly the case. I think that ratings are a shorthand still used by retail investors and others to classify securities risk, but, as the SEC has been required to move away from ratings, I think professional and other sophisticated investors have also moved away from using ratings as a shorthand and have looked at the underlying information that's available about the securities in the marketplace.

**WT:** One of the more interesting recent developments, one that didn't have any consequences in the long run, was when Chairman Cox looked into the possible repeal of the Tower Amendment. When something like that that seems fairly unrealistic comes up, to what degree do you have to pay attention to that here at SIFMA?

**LN:** I think that that's something that we paid serious attention to. That would have been a landmark change in the industry and we watched it very closely, as we do any other regulatory change.

**WT:** What's the SIFMA position, if you do indeed have to have a position, on things like the Tower Amendment and 15c2-12?

**LN:** Our positions have kind of changed over time with regards to things that happen in the marketplace, depending on what our members feel at the particular time. The Tower Amendment was in place and still remains in place, and if it comes up again we'll address it with our membership. Certainly, with regards to 15c2-12 we feel strongly that issuers should continue to produce their continuing disclosure filings annually and their material events notices, and file them as required on EMMA. Those notices are critical for issuers to understand what's going on with the issuer and securities going forward.

**WT:** What are the perceptions of this in the dealer/underwriter community? Is it the impression that there's too much responsibility on their end because of things like the Tower Amendment?

**LN:** I think that there remain concerns from the broker-dealers that, because the regulators cannot regulate the issuer community directly, except with regards to antifraud provisions of the securities rules, that the securities regulators regulate the broker-dealers, and again, regulate the issuers indirectly through the broker-dealers. And there is concern about potentially an undue burden, a regulatory burden on the broker-dealer community.

**WT:** Can I ask you just in general about the range of opinions or attitudes there is in that community towards regulation in general? I mean, does it vary substantially, in your view?

**LN:** Well, I think there's been a lot of concern recently that the piece of regulation has been increasing and that there has been many monumental changes very quickly to the industry. And that maybe some thought about regulatory efficiency, or some more thought about regulatory efficiency would be beneficial.

**WT:** Okay. That's a good segue into talking specifically about Dodd-Frank. Could you tell me about the process leading up to the legislation, how that looked on this end?

**LN:** Dodd-Frank was a monumental piece of legislation. SIFMA had actively lobbied for the regulation of the independent financial advisors, the non-dealer financial advisors that we seemed to be not under any federal or regulatory regime. It ended up that Section 975 of Dodd-Frank that regulated municipal advisors incorporated regulation for not just the independent municipal advisors but also the dealer advisors as well, and that was a change that happened at the last minute and has certainly caused many challenges for the bank and broker-dealer community.

**WT:** Could you tell me a little bit about what some of the difficulties are in simply identifying, or I guess defining, what is an advisor?

**LN:** The test of who is a municipal advisor is a facts and circumstances determination, and firms are certainly struggling with that right now. It's not clear-cut based on roles or specific activities, so there's certainly a large amount of work being done by the compliance departments of the various firms to determine whether firms are acting as a municipal advisor or will act in the future as a municipal advisor.

**WT:** And how about then, after the Dodd-Frank legislation, how has it gone with the implementation of that? I know that's been quite a lengthy process as well, though I suppose it needs to be.

**LN:** Yes. It needs to be. It's been quite a challenge, certainly. Dodd-Frank was passed in 2010. A temporary rule was put into place but was very broad in terms of its application

to potential municipal advisors. We went through a comment period on that, and then the final rule came out in September of 2013 for effectiveness on January 13th of 2014.

The final rule changed substantially from the temporary rule, and although we had argued for a re-proposal it didn't get re-proposed before it went to final, and so unfortunately there are some issues that still need to be clarified. And we've worked with the SEC, which has released one round of clarifications to the rule already. They released that on January 10th. But, of course, as the rule was due to be implemented the next business day, we did on January 9th submit a request for a delay in effectiveness of the rule, and the SEC granted that, so the effective date of the rule was pushed off until July.

**WT:** Now, there's also been some new regulation on broker's brokers, is that correct?

**LN:** Yes. There have been new regulations on broker's brokers that the Municipal Securities Rulemaking Board have released, and those that work with broker's brokers, to try to clarify the role of a broker broker and what they do, and to make sure that the clients of the brokers' brokers understand what the process is.

**WT:** And of course, we've recently had a report on municipal securities from the SEC. Could you tell me about some of what you view as the most interesting aspects of that report, what are the most pertinent issues pointed out?

**LN:** There was a lot in that report. It took many years for the SEC to put that report out. One of the top issues in the report was a potential proposal for best execution, which SIFMA took as a challenge and we sat down with our members, developed a proposal for the MSRB for execution in the municipal market, and the MSRB has taken that into consideration in its proposal for improving execution in the municipal market that will likely be finalized later this year.

**WT:** Has it affected you at all as the SEC Office of Municipal Securities has changed in its form with time – of course, the Dodd-Frank legislation affected that too. I don't know how much that impacts things here at SIFMA or whether you notice that, or if you have opinions on it.

**LN:** Oh, we certainly have noticed it. The Office of Municipal Securities was not its own separate office directly reporting to the Chairman until after Dodd-Frank. It reported in through Trading and Markets. And previously it had been headed by Martha Haines with Mary Simpkins reporting to her, but John Cross coming over from Treasury to head the new Office of Municipal Securities, certainly, and his move to expand the office – I think he's now got five attorneys working for him – has increased their bandwidth significantly, which is necessary in light of the office's mandate to implement municipal advisor rulemaking.

**WT:** And we've kind of made short work of most of my questions here, but is there anything that I've overlooked that you think is a really pertinent issue that we ought to discuss?

**LN:** I think I'm good.

**WT:** Okay. Well then in that case, let me just conclude by asking a little bit about – coming back to you personally and the evolution of your career – you've been here at SIFMA now for what, ten years, you said?

**LN:** Yes. Ten years, March of 2004.

**WT:** Has your role evolved in that time?

**LN:** I think my role has evolved, certainly, over the past ten years, and as I've grown in my knowledge of the banks and broker-dealers and their operations. When I first started, I was learning the other side of the business, learning not just the new issue market but the secondary market, and as I've grown we've added staff to the area. I took on auction-rate securities into my portfolio here at SIFMA. Of course, that's a product that wasn't just a municipal product, it was a preferred product as well, corporate product as well. And I look forward to growing in my knowledge and my portfolio here at SIFMA.

I mean, certainly one of the most memorable times was the 2008 and 2009 timeframe, when in January 2008 we were starting to get inquiries about how to develop bank bonds, how to register bank bonds at DTC, how to get new CUSIP numbers for bank bonds, and

this was something we'd never heard of before, as the liquidity banks started to get concerned about the auction-rate securities market.

Of course, massive failures in the auction-rate securities market only started happening in the mid-February timeframe, but it was a particularly memorable time in my career, as emergency relief was needed for that market. John Cross, again, was at Treasury at the time. SIFMA wrote to John for emergency relief from Treasury, we got emergency relief from the SEC, we were posting information on our website about trustees and tender agents so that firms could easily find tender agents on bonds that they held. It was a time of nonstop work.

And certainly, something I'll never forget, particularly in our – I had mentioned our index previously – our index published on Wednesdays, and Thursday morning I got a call in September of '08 that our index had gone from a 1.79 to 5.15 in one week, and was that an error? And we checked into that, and really, the VRDO market was collapsing before our eyes and nobody was buying short-term municipal securities. VRDOs were not being purchased. And so it certainly was very interesting, being on the frontlines of that crisis and being able to assist the banks, broker-dealers, and investors in that marketplace as an unimaginable situation unfolded before our eyes.

It's also been a great chair to sit in to try to advance the marketplace forward. One of my key projects here when I first started in the '04-'05 timeframe was to, again, reexamine a securities master database project. It was said it could never be done, but what dealers at

the time had been doing in the marketplace when they priced a new deal was to print out the interest rates and the identifying information for new bonds on a piece of paper, and then they would fax that to the Depository Trust Company, to the other members of the syndicate. And again, we're talking the early to mid-2000s here, where then teams of people at the Depository Trust Company, and other organizations such as Bloomberg and other information service providers, would then need to re-key in that critical security information.

And so we undertook at SIFMA the New Issue Information Dissemination project, which then got picked up by DTC, which in its redevelopment of its underwriting software had dealers key in identifying information and rates, call information – basically the key security master database points – into DTC directly, eliminating the need to re-key the information, saving basically time and reducing errors in the marketplace. We implored the Municipal Securities Rulemaking Board to take this information from DTCC to enhance straight-through processing, and again, to eliminate the need of dealers to re-key that information again into their MSRB filings. And it took a number of years, but the MSRB did incorporate the NIIDS feed into their G-34 filings.

**WT:** I'm glad you brought that up, because I talked a little bit about that with Ernie Lanza and so it's good to get the perspective on that from this end. In fact, what you were saying just now reminded me that it's important to ask not just about regulation, which of course the SEC Historical Society is centrally interested in, but also SIFMA's role in the well-functioning of the market. And so I'm wondering if there is something on that end

that we haven't gotten at yet. Of course, you've mentioned the index and the other things you were just discussing now, but I encourage you to say more if you like.

**LN:** Sure. Certainly, proposing regulations such as G-37 or regulatory systems such as the needs system, is something that SIFMA is particularly adept at, and as a trade association of banks and broker-dealers has the membership to come to an agreement to aid the market, push it forward, and again, to try to get the buy-in from the regulators for things that would improve the market. We also see our role as one to suggest model documents for aiding the compliance of our banks and broker-dealers with the MSRB's, SEC's, and other regulators' rules. So we do have a full suite of model documentation, including an agreement amongst underwriters, bond purchase agreements, and we have a new suite of model documents to aid those firms that are seeking to comply with the municipal advisor rules.

**WT:** Okay. So we've been through a very interesting time in municipal securities. Of course, I can't ask you to look into the crystal ball, per se, and commit to saying what the future will be like, but are there issues on the horizon that seem interesting?

**LN:** There are a lot of issues, of course, on the horizon that came out in the SEC's Office of Municipal Securities report. We are in the middle of development of new execution standards for the municipal securities market. There is talk about the disclosure of markups and markdowns and so-called riskless principle transactions by SEC commissioners. I think that there's still more work to be done in the disclosure area.

And of course, that report discussed the possibility of a rewrite of the 1994 interpretive release on 15c2-12. Many organizations have already put in suggested changes to that release. So we look forward to being a part of the positive changes to the marketplace going forward.

**WT:** Okay, well that seems like a very good place to wrap it up, so unless you have anything else to add we'll leave it there.

**LN:** I think that's great. Thank you very much for your time.

**WT:** Well, thank you for your time.

[End]