

# **The Evolving Municipal Advisor Market in the Post Dodd-Frank Era**

Initial Thoughts

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# Bergstresser-Luby Findings

## Regression Analysis: Takeaways

- Under certain model specifications, the greater degree of concentration of MAs with specific underwriters, the higher the average bond price increase
  - Implies that issuers should rotate their bond financing teams more regularly
- The higher the concentration of use of in-state MAs, the higher the average bond price increase
  - Implies that “national” MAs may do a better job in advising on the pricing of securities
  - This finding does not shed any light on the quality of other activities that national or in-state MAs provide
- The number of disclosure items is not statistically associated with average bond price increase
  - Implies that MA firms that have more disciplinary actions in their past may not perform any worse in providing pricing advice

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## Conclusions

1. UPDATE YOUR FILINGS
  - See slide at beginning of presentation
2. Number and composition of MA firm types has changed but number of MA professionals, types of clients and service types has remained consistent
3. Some evidence on underwriter advisor links consistent with previous Moldogaziev and Luby (2016) work
4. Evidence on concentration of in-state municipal advisors

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# What's Missing

- Minimal recognition of WHAT municipal advisor does
  - No discussion of changes in bond pricing if no MA
- Average Bond Price Increase
- Issuers determine scope of services
- State and regional differences
- Size matters
- Maturity matters
- Regulators have to address failure to file

# Policy Suggestions

Bond financing teams should NOT include underwriters and municipal advisors who have consistently worked together

Issuers should rotate their municipal advisor to include national firms that do not have as strong a local presence

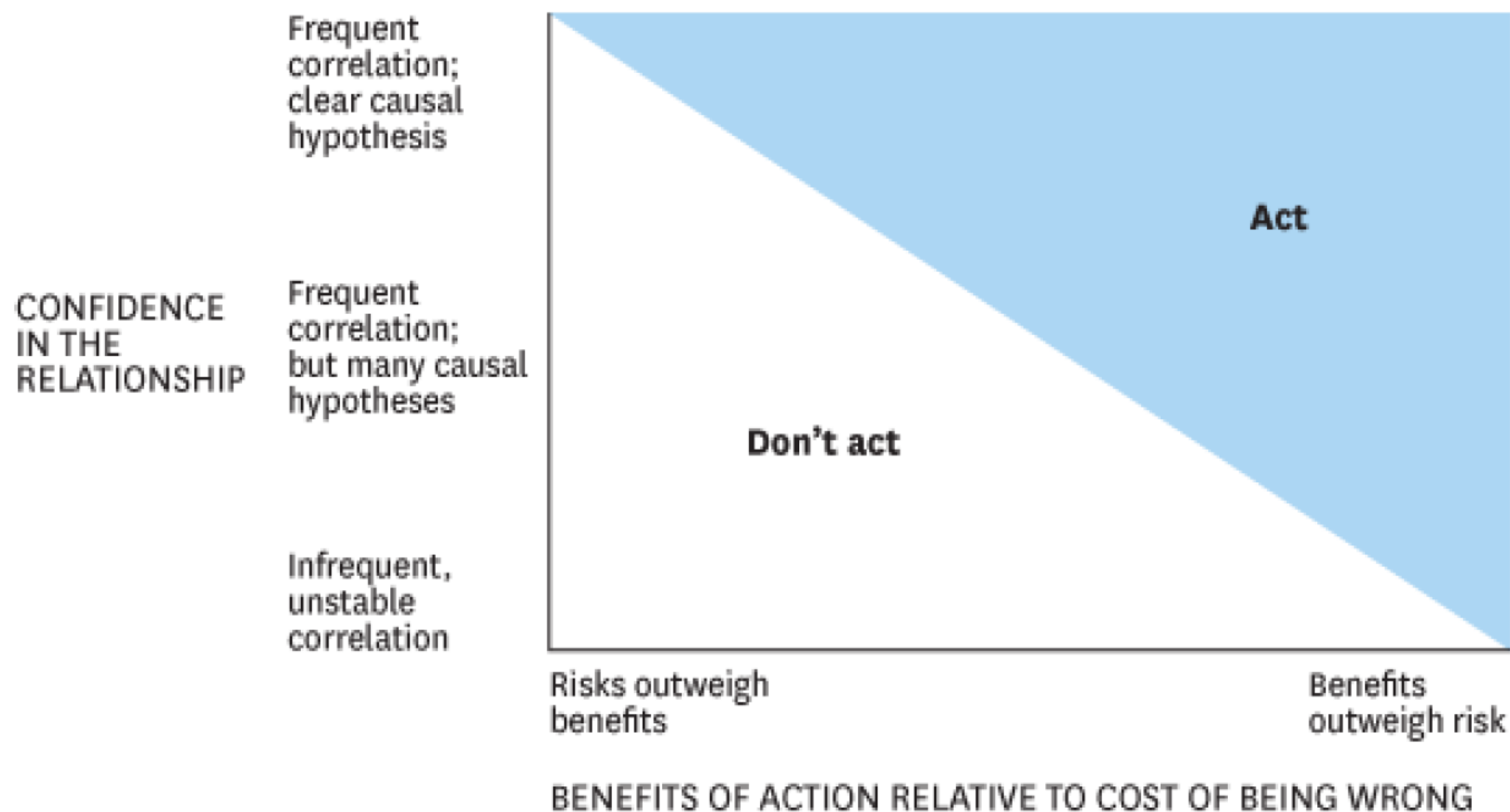
Issuers should temper their assessment of advisory quality by using regulatory disclosures.

# Confused Data

- Authors acknowledge difficulty of merging data
- Mergent Data
- Not a minor inconvenience
- Taints results

**WHEN TO ACT ON A CORRELATION IN YOUR DATA**

How confident are you in the relationship? And do the benefits of action outweigh the risks?



# Other Considerations

## Diverse Markets

- State law
- General government/healthcare/enterprise funds
- Credit and Ratings
- Competitive sale/Negotiated sale

## Average Bond Price Increase

- Market movement
- Maturity
- Credit changes
- Competitive or Negotiated Sale

# Underwriter Selection

- Negotiated or Competitive Sale
- Issuers decide scope of services
  - GFOA best practice
- Refer to wording in paper