

Rule G-40 Advertising by Municipal Advisors**(a) General Provisions.**

(i) – (ii) no change.

(iii) Definition of Municipal Advisory Client. For the purposes of this rule, the term municipal advisory client shall include either:

(A) a municipal entity or obligated person for whom the municipal advisor engages in municipal advisory activities, as defined in Rule G-42(f)(iv) or

(B) a [broker, dealer, municipal securities dealer,] municipal advisor, or investment adviser (as defined under section 202 of the Investment Advisers Act of 1940) on behalf of whom the municipal advisor undertakes a solicitation of a municipal entity or obligated person, as defined in Rule 15Ba1-1(n), 17 CFR 240.15Ba1-1(n), under the Act.

(iv) Content Standards.

(A)– (F) No change.

(G) [A municipal advisor shall not, directly or indirectly, publish, circulate or distribute any advertisement which refers, directly or indirectly, to any testimonial of any kind concerning the municipal advisor or concerning the advice, analysis, report, or other service rendered by the municipal advisor.]

(1) If an advertisement contains a testimonial of any kind concerning the municipal advisor or concerning the advice, analysis, report, or other service rendered by the municipal advisor, the person making the testimonial must have the knowledge and experience to form a valid opinion.

(2) If an advertisement contains a testimonial of any kind concerning the municipal advisor or concerning the advice, analysis, report, or other service rendered by the municipal advisor, that advertisement must clearly and prominently disclose the following:

(a) That the person providing the testimonial is a current municipal advisory client or, if not a current municipal advisory client, the timeframe, denoted by calendar year(s), that the person was a municipal advisory client.

(b) The fact that the testimonial may not be representative of the experience of other clients.

(c) The fact that the testimonial is no guarantee of future performance or success.

(d) If more than \$100 in total value in cash or non-cash compensation is paid for the testimonial, the fact that it is a paid testimonial; and the paid testimonial must include a brief statement by the municipal advisor of any material conflicts of interest on the part of the person providing the testimonial resulting from the municipal advisor's relationship with such person.

(3) A municipal advisor may not provide any compensation for a testimonial to a person, directly or indirectly, of more than \$1000 in total value in cash or non-cash compensation during the preceding 12 months, unless the testimonial is from a municipal advisor or an investment adviser (as defined under section 202 of the Investment Advisers Act of 1940) on behalf of whom the municipal advisor undertakes, or has undertaken, a solicitation of a municipal entity or obligated person, as defined in Rule 15Ba1-1(n), 17 CFR 240.15Ba1-1(n), under the Act and the municipal advisor:

(a) based on the exercise of reasonable diligence, concludes that the municipal advisor or investment adviser who will provide the testimonial is currently registered with the Commission; and

(b) has a written agreement with the municipal advisor or investment adviser that describes the scope of the agreed-upon activities with respect to the testimonial and the terms of the compensation for such.

(H) No change.

(v) No change.

(b) No change.

(c) Approval by Principal. Each advertisement subject to the requirements of this rule must be approved in writing by a municipal advisor principal, as defined in Rule G-3(e)(i), prior to first use and, with respect to an advertisement that includes a testimonial, such approval must also be based on a reasonable belief that the testimonial complies with the requirements under Rule G-40(a)(iv)(G).

(d) No change.

(e) Records. Each municipal advisor shall make and keep current in a separate file, records of all advertisements, records of any payment made to a municipal advisory client for a testimonial, and records of any written agreements required under Rule G-40(a)(iv)(G)(3)(b).

Supplementary Material

.01-.02 No change.

Rule G-8 Books and Records to be Made by Brokers, Dealers and Municipal Securities Dealers and Municipal Advisors

(a) - (g) No change.

(h) Municipal Advisor Records. Every municipal advisor that is registered or required to be registered under Section 15B of the Act and the rules and regulations thereunder shall make and keep current the following books and records:

(i) - (vii) No change.

(viii) Records Concerning Compliance with Rule G-40

(A) A record of all advertisements required by Rule G-40(e);

(B) A record of any cash or non-cash compensation provided to a Municipal Advisory Client, as that term is defined in Rule G-40(a)(iii), for a testimonial; and

(C) A record of any written agreement required under Rule G-40(a)(iv)(G)(3)(b).

Supplementary Material

.01-.02 No change.