Presence and Influence in Lobbying: Evidence from Dodd-Frank

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Abstract

Interest groups face many choices when lobbying: when, who, and how to lobby. We study interest group lobbying across two stages of regulatory policymaking: the congressional and agency rulemaking stages. We investigate how the Securities and Exchange Commission responds to interest groups at the end of these stages using a new, comprehensive lobbying dataset on the Dodd-Frank Act. Our approach examines citations in the SEC's final rules which reference and acknowledge the lobbying activities of specific interest groups. We find that more than 2,900 organizations engaged in different types of lobbying activities either during the congressional bill stage, the agency rulemaking stage, or both. Meetings with the SEC and hiring former SEC employees are strongly associated with the citation of an organization in a final rule. Comments submitted by trade associations and members of Congress are cited more in a final rule compared to other organizations. While there is more variety in the types of organizations who lobby the bureaucracy than those who lobby Congress, presence does not necessarily lead to recognition or influence.

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"The bill, completed early Friday and expected to come up for a final vote this week, is basically a 2,000-page missive to federal agencies, instructing regulators to address subjects ranging from derivatives trading to document retention. But it is notably short on specifics, giving regulators significant power to determine its impact – and giving partisans on both sides a second chance to influence the outcome..."
– Binyamin Appelbaum, *The New York Times* on Dodd-Frank, 2010

1 Introduction

Lobbying is a business with no deadline. Interest groups lobby to influence agenda setting and voting in Congress, and continue to lobby well after Congress passes legislation (Hall and Miler 2008; You 2017). In this endless game, interest groups participate in different stages of policymaking and use multiple tools in their attempts to achieve influence (Baumgartner et al. 2009; Godwin, Ainsworth and Godwin 2013). They appear in committee hearings and testimonies, hire commercial lobbying firms and former government officials to contact members of Congress and bureaucrats, meet with regulators, and submit comments during rulemaking process. Different interest groups and different lobbying activities are observed at different stages of policymaking. Despite the prevalence of lobbying throughout multiple stages of policymaking, there is relatively little research that documents the choices and effectiveness of different lobbying methods across different stages of policymaking.

Scholars have spent copious amounts of time to understand the effects of lobbying on policy outcomes. This endeavor has been challenging because lobbying is inherently a strategic decision. This is particularly true when scholars attempt to estimate the effect of lobbying on votes by members of Congress. First, unlike campaign contributions, it is difficult to measure lobbying contacts at the congressional member level because the Lobbying Disclosure Act of 1995 (LDA), which regulates the domestic lobbying process, only requires lobbyists to disclose the identity of the chamber of Congress or federal agency

contacted, not the name of the lawmaker or the bill or topic they were lobbying on. Second, it is well-known that interest groups tend to lobby their allies in Congress, who may already share similar preferences with the interest groups; therefore it is challenging to disentangle the effect of lobbying from inherent, already existing preferences (Hall and Wayman 1990; Kollman 1997; Hall and Deadorff 2006).

Furthermore, the bulk of the literature on the effects of lobbying is focused on lobbying *Congress*; fewer studies have concentrated on lobbying during the subsequent *rulemaking* stage, despite rulemaking's importance in implementing legislation. The previous studies who do focus on the rulemaking stage have identified the kinds of participants who are most and least active in comments submissions, and correlate participation with rule changes (Golden, 1998; Yackee and Yackee, 2006; Haeder and Yackee, 2015). Other questions in the lobbying literature, such as the impact of the "revolving door," have received attention by scholars in the congressional context (Blanes i Vidal, Draca and Fons-Rosen, 2012; Bertrand, Bombardini and Trebbi, 2014), but have not yet been investigated for outcomes in the rulemaking stage.

This paper advances the literature by studying the lobbying activities of interest groups across two stages of regulatory policymaking – the congressional bill stage and the federal agency rulemaking stage – and by examining whose voices get acknowledged at the end of the process. We track the combinations of lobbying activities used and identify which groups are acknowledged in the final rule. Notably, we consider the "revolving door" in the rulemaking process and investigate whether organizations with former SEC employees are more likely to be acknowledged. Our advantage is a newly collected dataset, explained in detail below, that allows us to directly track references made in an agency rule to specific interest groups who had lobbied on that rule.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank, hereafter), passed in July 2010 with around 330 provisions for rulemaking, presents a fitting case study to analyze lobbying in federal agency rulemaking.[1] We specifically focus on rulemaking activities by the Security

[1]Unlike the number of rulemaking provisions, the number of *rules* is uncertain ex-ante

and Exchange Commission (SEC), who was responsible for making rules for up to 97 provisions to implement Dodd-Frank. Numerous groups, from corporations to local governments, were involved in lobbying at various stages of the policymaking process.

First, we provide a comprehensive description of the lobbying activities of interest groups across both the congressional bill stage and the rulemaking stage by analyzing which organizations are involved and what types of lobbying strategies – e.g. submitting lobbying reports for lobbying contacts in Congress or the federal bureaucracy, submitting comments to agencies, meeting with federal regulators, hiring former SEC regulators – each organization used to lobby on Dodd-Frank from 2009–2014. This enables us to understand how different organizations allocate their resources in different stages of policymaking in their attempt to influence regulatory policymaking.

Next, following studies that have explored interest groups' activities in the rulemaking process (Carpenter 2002; Yackee and Yackee 2006; McKay and Yackee 2007; Kerwin and Furlong 2008; Boehmke, Gailmard and Patty 2013; Haeder and Yackee 2015), we examine how lobbying in the rulemaking stage influences final rules. Previous studies observe which organizations submitted comments and whether the final rule had changes, but do not isolate which specific organizations' opinions, if any, were taken into account.

We take a new approach that explicitly connects parts of the final rules to specific interest groups by using citations in the final rules – our newly collected dataset – which reference comments and meetings between organizations and the SEC. In the final version of their rules, the SEC includes citations that name the opinions of a selected group of organizations and the medium in which those opinions were transmitted. This allows us to directly connect any considerations the SEC took into account in between the proposed and final version of rules to the specific comments or meetings of specific interest groups. While a citation of an organization in the final rule does not necessarily suggest

because some rulemaking provisions are discretionary, one rule can satisfy multiple rulemaking provisions, multiple rules can satisfy a single provision, non-rulemaking provisions may result in rules, etc.

that an organization's exact preferences are reflected in the final rule, it does indicate acknowledgement of the organization's opinion by federal regulators in the rulemaking process. Thus, our study and our newly collected dataset can identify whether or not the SEC took into account an organization's submitted comment or meeting, allowing us to advance the literature by drawing more specific conclusions on the effectiveness of organizations' lobbying efforts.

For Dodd-Frank, we find that 2,961 organizations participated in the lobbying process either during the congressional bill stage, the agency rulemaking stage, or both. Corporations and trade associations were the most active, but local governments and members of Congress were also actively involved. While corporations and trade associations lobbied throughout both stages, we find that local governments, not-for-profit organizations, and even individual members of Congress mostly participated in the rulemaking stage exclusively.

We find that the number of lobbying report submissions and the number of meetings with the SEC are strongly associated with the citation of the organization in the SEC's final rule. When we compare comment submissions across various types of organizations, comments submitted by trade associations and members of Congress tend to be more cited in the final rule. When we include a rule fixed effect and organization-type fixed effect, the number of comments submitted by an organization and the frequency of citation of the organization in the final rule are still strongly correlated.

We also investigate whether the "revolving door" influenced the effectiveness of lobbying on Dodd-Frank rulemaking. Research has suggested that lobbyists who were previously employed as House or Senate personal staff or committee staff generate higher lobbying revenues over lobbyists who were not (Blanes i Vidal, Draca and Fons-Rosen, 2012; Bertrand, Bombardini and Trebbi, 2014). However, scholars have yet to determined the extent to which a revolving door impacts outcomes in the lobbying of federal agencies. Out of the 2,961 organizations in our data who lobbied the SEC on a Dodd-Frank rule in one way or another, 88 of those groups had employed at least one former SEC regulator. We find that organizations who submitted comments and have at least one former SEC employee are more likely to be cited in the final

rules determined by the SEC, and that these results are robust to corporation resources. Combined, our results suggest that the SEC gives higher weight in recognizing opinions from organizations who have issue expertise, capacity to control the agency, or a personal connection to the agency.

Our findings thus provide insight on the lobbying process – who lobbies, how they lobby, and who succeeds in getting acknowledged – across different stages of regulatory policymaking. McCubbins, Noll and Weingast (1987), in their study of bureaucratic agency procedures as instruments of elected officials' political control, predict that "the politics of the bureaucracy will mirror the politics surrounding Congress and the president." While we find that there is a wider variety in the types of organizations who lobby the bureaucracy than those who lobby Congress, the types of organizations who are ultimately more likely to succeed in getting their interests acknowledged are similar across the bureaucracy and Congress. In other words, we discover that for the question of which outside groups participate, the politics of the bureaucracy do *not* mirror the politics surrounding Congress, but for the question of which outside groups get acknowledged, the politics of the bureaucracy *do* mirror the politics of Congress.

2 Interest Groups and Agency Rulemaking

While the lobbying that takes place before legislation is passed in Congress attracts much attention, less attention is given to lobbying in the subsequent rulemaking stage, despite rulemaking's critical role in implementing legislation. When Congress passes legislation, it routinely calls for U.S. federal agencies to formulate guidelines and regulations for the new policies through rulemaking. During the rulemaking process, agencies are legally required by the Administrative Procedure Act (APA) to provide notice of the proposed rule in the Federal Registrar and must allow for a notice and comment period before promulgating the final rule (APA Section 553).[2]

[2]In some cases, the APA permits agencies to issue a final rule without first publishing a proposed rule and allowing for the notice and comment period. This exception is for when

During this notice and comment period, the public – either organizations or individuals – can submit written comments containing information, data, or opinions to the agency formulating the rule.[3] While agencies are not legally required to change a rule in between the proposed version and the final version due to the public comments, if the agency does make modifications from the proposed rule to the final rule, agencies such as the SEC mention in citations the comment or meeting that related to the change being made. The final regulatory rules that stem from the agency rulemaking process are legally binding and thus are a form of policymaking.

Like any form of policymaking, agency rulemaking is a process ripe for outside influence – what's more, the above-mentioned notice and comment period is designed to *invite* and welcome outside opinion. Who, then, influences rulemaking, and are there any groups who unduly affect the outcomes of rulemaking? The literature has argued that the dominant interests of the regulated industry are the drivers behind the scenes during agency policymaking. McCubbins, Noll and Weingast (1987), McCubbins, Noll and Weingast (1989), and McCubbins and Schwartz (1984) argue that this is because Congress empowers dominant interests in bureaucratic decision procedures. More often than not, the dominant interests are business interests, who have been shown to pursue and receive significant advantages in policymaking (Baumgartner and Leech, 2001; Schlozman, 1984; Schlozman and Tierney, 1986). Perhaps unsurprisingly, then, scholars have also documented that corporations are the most active participants in lobbying the federal agencies during the agencies' rulemaking phases. For example, Golden (1998), in studying 10 rules, find that businesses participate the most in submitting comments during the public comment periods of rulemaking; likewise, Yackee and Yackee (2006) analyze 40 rules made by four different agencies, and find that businesses submitted

the agency has "good cause" that the notice and comment period would be "impractical, unnecessary, or contrary to the public interest," and has been used in emergencies for public health and safety, or if Congress has legislated a specific regulatory outcome. Other exceptions to skipping the notice and comment period include when the agency is issuing rules about internal agency procedures or when the rules only apply to federal employees or only manage federal property (Register, 2011).

[3]Comment periods usually last anywhere from 30 to 180 days.

57% of the comments during the public comment periods of those 40 rules.

Not only do corporations participate the most, but scholars have also found that corporations disproportionately influence the federal bureaucracy (Yackee and Yackee, 2006; Haeder and Yackee, 2015). When measuring the amount of change a rule underwent from its initial proposed version to its final version, Yackee and Yackee (2006) find that the four agencies they studied consistently amended their final rules to reflect the desires business interests expressed in their submitted comments. Haeder and Yackee (2015) study lobbying during the Office of Management and Budget's (OMB) review of rules, and show that lobbying by business groups exclusively is more likely to result in a rule change than lobbying by public interest groups exclusively. Further, they find that a rule change during OMB review is more likely when more groups lobby and when there is more consensus lobbying (with no lobbying from "the other side").

More broadly, research is mixed on whether general interest group participation during the rulemaking process affects the resulting rules. Studies such as Golden (1998), Yackee and Yackee (2006), Haeder and Yackee (2015) find that interest groups' comments do, in certain cases, relate to changes made in between the proposed and final rules, though other studies (West, 2004; Gaines, 1977) find that interest groups' comments do not or only rarely do.

A possible reason for the mixed results is that empirical studies have quantified the influence of interest groups on rule content in various ways: automated content analysis software to determine the percentage change in the text from draft to final rule (Haeder and Yackee, 2015), manual content comparisons by the author (Golden, 1998) or by human coders (Yackee and Yackee, 2006), or by interviews with agency officials (West, 2004). However, while these approaches may capture the amount of change in the rules, none of the existing approaches directly attribute any consideration or influence in the rules to the *specific* interest groups who lobbied or submitted comments. Without a clear link connecting content in the rule to an interest group, there is no certainty that the content was influenced as a result of a certain interest group's

submitted comments or other lobbying efforts.[4]

Our approach and data collection allow us to improve upon the literature by filling this gap and directly attributing considerations taken into account by the SEC in between the proposed and final rule to specific interest groups who lobbied during the rulemaking process. By analyzing final rule citations, we can identify who the SEC acknowledges in the formation of the final rule. This allows us to connect interest groups' lobbying activities to whether their opinions were publicly referenced during the rulemaking stage. While not a perfect measure of influence – a citation does not guarantee that the final rule was actually changed to what an organization lobbied to support – citations nevertheless capture acknowledgment by the agency. As the literature currently does not have a way to systematically and directly attribute interest groups' lobbying activities to their actual impact on rulemaking, our approach using citations is a first step to tackling this gap.

Further, the submission of public comments is not the only avenue that is available to interest groups who wish to lobby agencies during the rulemaking process. Traditional lobbying activities such as meetings and telephone calls can still be used to lobby interests, especially if interest groups do not wish to go on the written record with comment submission. Merely examining comments ignores the other ways that interest groups may lobby agencies; thus, by collecting SEC meeting records with interest groups (meetings both in-person and telephone calls) and attributions to meetings that are present in the SEC final rule citations, we are able to augment our dataset to cover various lobbying activities. Used along with our data on comments, we are able to paint a more complete picture of interest group participation in the rulemaking process and the extent of the SEC's acknowledgement of their opinion in the resulting regulatory rules.

[4] West (2004) separates the problem of attributing changes in rules to two parts: the first being that "it is difficult for someone with a cursory understanding of the issues at stake to distinguish [cosmetic or relatively insignificant clarifications of language] from more substantive changes" and second, aptly notes that "when meaningful changes occur, moreover, they may not be the result of public comment."

3 Data and Stylized Facts

We focus on the SEC's rulemaking for Dodd-Frank. The SEC is one of the most important agencies that oversees the financial market and played an important role in the implementation of Dodd-Frank. When Congress passed the 848 pages of legislation for Dodd-Frank, it had around 330 provisions for rulemaking that it left to the federal agencies. To date, the SEC alone has been responsible for adopting final rules for 67 mandatory rulemaking provisions of Dodd-Frank, completing 72 final rules in direct response to mandatory rulemaking provisions and around 100 rules in total related to Dodd-Frank, 37 of which were finalized by December 2014, the end of our data sample.[5] For each of the rule, we collect data on how many comments on the rule each organization submitted, how many meetings each organization had with SEC officials regarding that rule, and how many times each organization was cited in the final rule.[6]

From Dodd-Frank's passage in Congress to the end of 2014, 2,337 organizations submitted a total of 4,405 comments on the 37 rules promulgated by the SEC during that time. These comments are provided by the SEC and are all included in our data set. Rules had on average 92 comments per rule, but the number of comments varies significantly by rule. For instance, rule file S7-7-11 on credit rating reference removal received no comments, but rule file S7-45-10 on the registration of municipal advisors attracted 855 comments. Table A1 in Appendix provides the detailed description about rules and the total comments submitted to each rule.

To provide a complete picture on interest groups' activity on Dodd-Frank, we collected data on the lobbying activities of various interest groups, both in the congressional bill-passage stage and the agency rulemaking stage, from 2009 to 2015. During this time period, there were 2,961 unique organizations who lobbied either during the congressional stage (by submitting required lob-

[5] Besides rules for mandatory rulemaking provisions, the SEC has also completed rules that provide regulatory clarification or further regulation on issues affected by Dodd-Frank.

[6] Data on comments and meetings were collected from the SEC's webpages on Dodd-Frank rulemaking, e.g. https://www.sec.gov/comments/s7-02-13/s70213.shtml.

bying reports after having lobbying contact with officials), during the agency rulemaking stage (by submitting comments to the SEC or having meetings with the SEC), or during both. Among these organizations, 22.5% only submitted lobbying reports during the congressional stage but did not submit comments or have meetings with the SEC during the rulemaking stage. 68.2% did not submit lobbying reports from the congressional stage but did submit at least one comment or had a meeting with the SEC during the rulemaking stage. Further, 9.3% were observed submitting both lobbying reports during the congressional stage and submitted comments or had meetings with the SEC during the rulemaking stage.

We categorize organizations into seven different types: corporation, trade association, local government, members of Congress, law or lobbying firm, non profit, and individuals.[7] Table 1 presents the number of lobbying activities categorized by type of organization during the congressional state (number of lobbying reports) and the rulemaking stage (number of comments, meetings with the SEC, and lobbying reports), as well as the number of final rule citations.[8]

Table 1 – Summary Statistics on Various Lobbying Activities

		Congressional Stage	Rulemaking Stage			Outcome
Organization Type	N	Report	Comment	Meeting	Report	Citation
Corporation	1,174	1,944	1,460	507	1,263	8,062
Trade Association	570	1,006	1,138	286	621	7,250
Member of Congress	160	N/A	261	26	N/A	1,140
Local Government	372	50	576	8	31	286
Law or Lobbying Firm	159	9	264	92	5	1,321
Non-Profit	268	141	428	194	69	1,763
Individuals	69	4	68	13	4	105
Other	190	95	220	49	53	651
Total	2,961	3,249	4,415	1,175	2,046	20,578

[7] If an organization does not fit into any of the seven categorizations, we treat it as "other." Examples of organization under this category are 'European Union' and 'University of Michigan.'

[8] The division of the congressional vs. rulemaking stage is the date that Congress passed Dodd-Frank.

Table 2 presents the total number of unique organizations in each category by activity. In all activities, corporations and trade associations are the most active participants in the process. Members of Congress submitted 261 comments in total on the 37 rules; their opinions in these comments were cited 1,140 times. Local governments and law or lobbying firms are more active in comment submission than lobbying report submission, and non-profit groups tend to meet frequently with the SEC. In Table A2 in Appendix, we list the top 10 most active groups in each category in each activity.

Table 2 – Organizations and Lobbying Activities

Organization Type	*Number of Organizations by Activity Type*			
	Only Comments	Only Lobbying Reports	Comments and Lobbying Reports	Only Meetings
Corporation	615	365	146	47
Trade Association	295	172	90	13
Member of Congress	159	N/A	0	1
Local Government	358	18	6	0
Law or Lobbying Firm	145	2	2	10
Non-Profit	194	44	15	15
Individuals	63	2	0	4
Other	136	32	5	17
Total	1,955	635	264	107

Citations in the final rules reference organizations and specific comments or meetings. For example, in the final rule on the "Registration of Municipal Advisors" (File No. S7-45-10), the SEC writes,

> Many commenters recommended that the municipal advisor registration rules include an exclusion for broker-dealers that is similar in scope to the broker-dealer exclusion under Section 202(a)(11)(C) of the Investment Advisers Act.[636] Specifically, these commenters stated that the Commission should exclude from registration broker-dealers that provide advice that is solely incidental to a transaction.[637] These commenters generally noted that broker-dealers are already regulated by the Commission and should not be subject to additional or duplicative regulation.

And, furthering the example, the corresponding citation for footnote 637 states:

> See, e.g., Union Bank Letter (stating that advice supplied that is "solely incidental to the conduct of his business as a broker or dealer and who receives no special compensation therefor" (Section 202(a)(11) of the Investment Advisers Act) should be excluded from the definition of "advice?"; SIFMA Letter I (stating that "broker-dealers providing advice that is solely incidental to a transaction should be excluded from the definition of municipal advisor for the same reason that registered investment advisers are excluded (in some instances): they are already regulated"); Financial Services Institute Letter (stating that broker-dealers should be treated as in the Investment Advisers Act, i.e., where a municipal entity enters into an ordinary brokerage transaction, any incidental advice provided in the scope of that relationship should not require the broker-dealer to register as a municipal advisor).

In this citation, we see that the SEC is citing letters that were submitted as comments during the public comment period from Union Bank, SIFMA (Securities Industry and Financial Markets Association), and the Financial Services Institute.[9] These three organizations' efforts are clearly taken into account by the SEC. These footnote citations appear throughout each final rule, and explicitly provide information on what organizations the SEC is acknowledging in the final rules.

We note that a citation does not guarantee that the final rule was actually changed to what an organization lobbied to support. The SEC, in many cases, also cites submitted comments and then explains why it did not follow what those comments called for. Regardless, an organization being cited in the final rule is a signal that its views were heard and taken into consideration – whether or not in an affirmative way – by the SEC in a serious manner. Citations, as such, can be taken as a sign that an organization's lobbying voice was *heard*.

4 Types of Lobbying and Policy Change

In this section, we investigate whether different lobbying activities are associated with the number of citations of each organization in the final rule promulgated by the SEC regarding Dodd-Frank. Specifically, we estimate the

[9] We include the Union Bank letter in Appendix B, as an example of a submitted comment.

following model using ordinary least squares:

$$Citations_{ijs} = \alpha_j + \alpha_s + \beta_1 * Comments_{ijs} + \beta_2 * Meetings_{ijs} + \beta_3 * Reports_{ij} + \varepsilon_{ijs} \quad (1)$$

where i indicates an organization with type j and s indicates the rule. The terms α_j and γ_s are fixed effects indicating organizational type and the rule, in order to control for unobservable characteristics of organizational types and rules that may affect the number of citations made in the final rule. The variables $Comments_{ijs}$ and $Meetings_{ijs}$ measure the number of comments and meetings that an organization i (with type j) submitted to or had with the SEC regarding a rule s. $Reports_{ij}$ measures the total number of lobbying reports on Dodd-Frank.[10] We estimate the model using OLS regression.[11]

Table 3 presents the main results. Coefficients for each variable of interest are presented with t-statistics in parentheses. Column (1) includes interaction terms between the number of comments and an indicator for each organization type. Federal agencies are required only to respond to what the courts have characterized as "significant comments" receive during the period of public comments (Carey 2013). Given that our outcome measure is the number of citations of comments by each group in the final rule, we include interactions terms between the comments and the group type to examine whether comments from different groups are weighted differently. We also include a rule fixed effect to control the differences across the rules in terms of the attention it draws from various groups and the degree of influence. Column (2) includes both organization type fixed effects and rule fixed effects.[12] Organization type fixed effects are included to control differences in resources and expertise on issues across different organization types (e.g., corporations vs. non-profit).

[10] This is not indexed by the rule s because lobbying reports are not classified by rule.

[11] Given that the outcome variable is a count (number of citations), we also estimate the equation (1) using negative binomial model using `xtnbreg` command in Stata. The result is presented in Table A3 in Appendix and the results are largely consistent with the results from the OLS specification.

[12] The omitted organization category is individual/other (baseline). Estimates on organization type FEs could be interesting as they contain interesting information about the baseline citation rates. We report the full regression results in Table A4 in Appendix.

Table 3 – Comments, Meeting, Lobbying, and Citations in the SEC Final Rule

DV = Total Citation	(1)	(2)	(3)
Total Comment	1.078	3.414***	3.362***
	(0.96)	(5.50)	(5.49)
Total Meeting	2.879***	2.824***	2.818***
	(3.21)	(3.31)	(3.35)
Total Lobbying Report	0.141**	0.166**	0.101
	(2.10)	(2.47)	(1.61)
Total Comment × Corporation	3.518**		
	(2.19)		
Total Comment × Trade Association	3.942***		
	(2.89)		
Total Comment × Member of Congress	5.612***		
	(2.88)		
Total Comment × Local Government	0.220		
	(0.20)		
Total Comment × Law/Lobbying Firm	2.710**		
	(2.01)		
Total Comment × Non Profit	0.749		
	(0.51)		
Hired Former SEC Employee			5.334***
			(3.11)
Constant	-0.326	0.405	0.0860
	(-0.34)	(0.43)	(0.09)
Mean DV (No. Citation)	5.1	5.1	5.1
Rule FE	✓	✓	✓
Organization Type FE		✓	✓
N	3420	3420	3420
adj. R^2	0.240	0.225	0.229

Note: The unit of observation is organization–rule. t statistics in parentheses.
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Standard errors are clustered at the organization level.

In both specifications, the number of meetings with the SEC and the number of submitted lobbying reports are positively associated with the citation of the organization in the SEC's final rule. Comments submitted specifically by corporations, trade associations, members of Congress, and law or lobbying firms tend to be more cited in the final rule when we compare the effect cross-organization, as seen in Column (1). For instance, when a member of Congress submitted comment, that comment is five times more likely to be cited by the SEC in the final rule compared to a comment submitted by an individual/other, which is an omitted, baseline category of the organization. When comparing within each organization type, in Column (2), the number of comments and lobbying reports submitted by an organization, as well as the number of meetings with SEC officers, are strongly correlated with the frequency of citation of the organization in the final rule.

We turn next to the "revolving door" and examine how hiring ex-SEC officials changed an organization's lobbying strategy and the SEC's citation of the organization in the final rule. There is a rich literature on how future career concerns in the private sector could affect regulators' behaviors (e.g., Peltzman 1976; Che 1995; Lucca, Seru and Trebbi 2014). However, it is not well documented how ex-regulators influence agency policy outcomes when they act as lobbyists. We directly tackle this issue in the following analysis.

The SEC requires that its employees file post-government employment statements if they represent a client before the SEC within two years of leaving the SEC. The Project on Government Oversight (POGO) compiled the statements filed from 2000–2010 by former SEC employees through the Freedom of Information Act (Project on Government Oversight, 2010). From this database, we identify all organizations who hired SEC employees who had left the SEC between 2000 and 2010. One caveat is that the SEC only requires this post-government employment statement if the former employee will appear before the SEC in their new position, so the data does not include organizations who hired former SEC employees for positions in which the employee would not go before the SEC.[13] However, what we can identify are organizations with

[13]For instance, a company could have hired a former SEC employee, but if that employee's

former SEC employees who interact with the SEC – precisely the "revolving door" phenomenon that we want to investigate.

88 organizations who hired at least one former SEC regulator lobbied on Dodd-Frank in either the congressional stage, the rulemaking stage, or both. We examine whether organizations who hired former SEC employees are more likely to be cited in a final rule when they submit comments to the SEC during the rulemaking process. We construct the indicator variable *Hired SEC Employee* to indicate whether an organization hired a former SEC employee during 2000–2010 as reported on post-government employment statements. Column (3) in Table 3 presents the results of the regression with this indicator variable. Other things equal, organizations with former SEC employees are more likely to be cited in final rules.[14] Given that the average number of citations for an organization on a rule is 5.1 citations, the magnitude of the coefficient on the variable *Hired SEC Employee* suggests that overall, having an ex-SEC employee is roughly associated with an increase of over 100% in the number of citations of an organization.

5 Discussion

Citations in the final rules are a signal that the SEC heard the opinions of the cited organization enough to include an explicit reference, so what can we say from our findings? First, organizations who lobby across both the congressional and rulemaking stages are more successful in getting heard by the regulator – possibly due to the amount of resources these organizations can devote to lobbying on the issue, which in turn may be a reflection of the

new job responsibilities do not include interacting with the SEC, a post-government employment statement would not need to be filed.

[14] It is possible that hiring a former SEC official could be a proxy for an organization's resources or capacity. It is challenging to measure resources or expertise at an organizational level across different types of organizations, but to provide some evidence that our results are robust to organization resources, we use Compustat data provided by Wharton Research Data Services to construct a variable of market value for corporations. Appendix Table A6 reports the results for corporations using this additional variable; when controlling for market value, the coefficient on *Hired SEC Employee* remains positive and statistically significant.

organization's size or clout and the relevance of the issue to the organization. Second, comments from members of Congress receive many citations in the final rules, suggesting that regulators such as the SEC give close attention to the formal written records of those who had legislative control of the policy. Recent studies document that members of Congress constantly engage in direct communications with federal agencies and departments (Ritchie 2018; Ritchie and You 2018), in addition to their oversights through their committee activities. Given that any legislator can reprimand agencies by introducing legislation that is unfavorable to the agency or attacking the agency in the press, agencies like the SEC have a strong incentive to be responsive to members of Congress if they express their opinion through a direct comment submission.

Third, the fact that trade associations and organizations who hired former SEC employees are more likely to be cited suggests that regulators tend to listen more to those who have expertise on issues and/or former connections.[15] Another potential mechanism that could explain differential citation rates is the legal capacity of the organizations. Litigation and other legal battles have also been argued as tools that interest groups use to influence policy (de Figueiredo and de Figueiredo 2002; Farhang 2008, 2010). It is possible that the SEC pays more attention to comments submitted by organizations who are more likely to engage in legal action with the agency, which are often firms and trade associations. More broadly, while we observe that there is a wide variety of organizations present in lobbying regulatory policy, we find that these specific sets of organizations are more likely to get their interests acknowledged by the bureaucracy – a first step in influence.

These findings have important implications in the inequality of influence that different groups have in policymaking. Although some scholars argue that allowing citizens to submit rulemaking comments through online submissions (electronic commenting) achieves more "regulatory democracy" by increasing public participation in the rulemaking process (Cuéllar 2005), our

[15] Comments submitted from business trade organizations tend to be longer and include more issue specific information. For example, see a comment submitted collectively by six different business trade organizations on the regulation of inter-affiliate swaps under Title VII of the Dodd-Frank: https://www.sec.gov/comments/s7-16-10/s71610-181.pdf.

results imply that the presence of individual citizens and non-profit organizations in the rulemaking process does not necessarily lead to the same level of recognition from federal agencies that trade associations or corporations enjoy. This inequality in recognition could be driven by the difference in comment quality, given that individuals' comments generally only express support or opposition for a proposed rule rather than providing detailed suggestions or information (de Figueiredo 2006), or could be driven by the difference in personal connections with federal bureaucrats, since corporations and trade associations more often hire ex-regulators. To fully understand the source of unequal recognition of different groups by federal agencies in the rulemaking process, future research needs to both carefully and systematically examine the content of comments and final rules and how bureaucrats respond content-wise to comments in the final rule.

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Appendix A. Tables

Table A1 – Description of Final Rules

File Number	Publication Date	Total Comment	Rule Description
S7-26-10	1/25/11	65	Final rule requiring issuers of asset
S7-24-10	1/26/11	54	Final rule on representations and warranties in asset
S7-33-10	2/2/11	209	Shareholder approval of executive compensation and golden parachutes.
S7-36-10	6/13/11	73	Final rule to implement whistleblower incentives and protection provisions.
S7-10-11	6/14/11	4	Final rule on beneficial ownership reporting requirements and security
S7-25-10	6/29/11	76	Final rule defining "family office."
S7-40-10	7/6/11	548	Final rule providing exemptions from registration requirements for advisers to venture capital funds, private fund advisers with less than $150 million in assets, and foreign private advisers.
S7-37-10	7/19/11	127	Final rule on registration requirements for investment advisors and to the "pay
S7-18-08	8/3/11	94	Removal of security ratings from rules and forms
S7-02-11	8/23/11	7	Final rule regarding suspension of the duty to file reports for classes of asset
S7-04-11	12/29/11	23	Final rule amending the net worth standard for accredited investors.
S7-17-11	2/22/12	12	Final rule allowing investment advisers to charge performance based compensation to "qualified clients."
S7-22-11	4/5/12	7	Exemptions for security-based swaps issued by certain clearing agencies
S7-13-11	6/27/12	46	Final rule establishing listing standards for compensation committees.
S7-06-12	7/23/12	2	Guidance on definitions of mortgage related security and small business related security.
S7-24-11	7/26/12	13	Extending expiration dates of temporary exemptions for eligible credit default swaps.
S7-42-10	9/12/12	35	Final rules relating to disclosure of payments by resource extraction issuers to a foreign government or the Federal Government
S7-41-10	9/12/12	27	Final rules revising annual reporting requirements of certain issuers concerning whether minerals originated in the Democratic Republic of the Congo or an adjoining country.
S7-08-11	11/2/12	16	Final rule establishing clearing agency standards.
S7-07-11	11/23/12	78	Final rule regarding purchase of certain debt securities by business and industrial development companies relying on an Investment Company Act exemption.
S7-44-10	12/10/12	90	Final rule for submitting advance notices and security
S7-11-11	1/23/13	10	Final rule concerning due diligence requirements in searching for lost or missing security holders and unresponsive payees.
S7-27-11	2/13/13	5	Order extending exemptions for certain security
S7-29-11	4/9/13	2	Final rule amending rule filing requirements for dually
S7-30-11	7/11/13	12	Final rule on retail foreign exchange transactions
S7-31-10	7/16/13	56	Final rule on retail foreign exchange transactions.
S7-21-11	7/24/13	37	Final rule disqualifying felons and bad actors from Rule 506 offerings.
S7-23-11	8/21/13	20	Final rule amending requirements for broker
S7-45-10	11/12/13	855	Final rule on registration of municipal advisors
S7-41-11	12/10/13	558	Final rule on Volcker rule
S7-7-11	1/8/14	0	Final rule removing certain references to credit ratings from investment repurchase agreement rules.
S7-15-11	1/8/14	12	Final rule removing certain references to credit ratings from broker
S7-13-09	1/31/14	176	Final rule on proxy disclosure enhancement
S7-18-11	8/27/14	67	Final rule on credit rating agency reform
S7-08-10	9/14/14	271	Final rule on asset-backed securities
S7-14-11	10/22/14	650	Final rule on credit risk retention
S7-02-13	11/13/14	68	Final rule on cross-border application of security-based swap

Table A2 – Top 10 Organizations based on the Number of Citations in the Rules by the SEC

Organization	#Comment	#Meeting	#Report	#Citation
A. Corporation				
Goldman Sachs	15	23	32	339
JP Morgan	16	9	21	275
Credit Suisse	5	4	8	256
Wells Fargo	17	2	16	235
Standard & Poor's	4	3	0	221
DBRS.Com	4	1	0	197
RBC Capital Markets	1	0	0	170
Anglogold Ashanti	1	4	0	140
Morgan Stanley	9	8	6	136
Bank Of America	11	7	12	133
B. Trade Association				
American Bar Association	31	3	9	723
Securities Industry And Financial Markets Association	72	36	10	687
Financial Services Roundtable	26	2	24	267
American Securitization Forum	29	3	0	236
Investment Company Institute	26	5	39	215
National Mining Association	5	0	6	192
American Petroleum Institute	5	5	9	159
U.S. Chamber of Commerce	40	15	54	149
National Association of Manufacturers	10	8	5	146
International Swaps And Derivatives Association	9	4	13	146
C. Members of Congress				
Senator Carl Levin	15	3	0	247
Senator Jeff Merkley	8	5	0	155
Representative Jim Mcdermott	4	7	0	111
Senator Richard Durbin	5	5	0	93
Senator Patrick Leahy	2	2	0	47
Representative Barney Frank	3	0	0	43
Representative Spencer Bachus	10	0	0	39
Senator Ben Cardin	1	1	0	33
Representative Donald Payne	2	0	0	33
Senator John Kerry	2	0	0	32
D. Local Government				
American Federation of State, County and Municipal Employees	7	1	10	66
California Public Employees' Retirement System	10	1	0	65
American Association of Exporters and Importers	3	0	0	49
Colorado Public Employees' Retirement Association	8	0	0	28
California State Teachers' Retirement System	4	0	5	20
City of New York City, NY	6	2	0	17
State of Indiana	2	0	0	13
Pennsylvania Public School Employees' Retirement Board	1	0	0	10
Minnesota Housing Finance Agency	2	0	0	7
American Society of Pension Professionals & Actuaries	1	0	5	6

Table A3 – Comments, Meeting, Lobbying, and Citations in the SEC Final Rule: Negative Binomial Regression Results

DV = Total Citation	(1)	(2)	(3)
Total Comment	-0.142	0.174***	0.183***
	(-1.45)	(8.69)	(9.06)
Total Meeting	-0.0205	-0.0127	-0.0203
	(-0.84)	(-0.59)	(-0.95)
Total Lobbying Report	0.0148***	0.0170***	0.0131***
	(4.95)	(6.44)	(4.59)
Total Comment × Corporation	0.349***		
	(3.57)		
Total Comment × Trade Association	0.394***		
	(4.00)		
Total Comment × Members of Congress	0.601***		
	(5.14)		
Total Comment × Local Government	-0.661***		
	(-4.32)		
Total Comment × Law/Lobbying Firm	0.586***		
	(5.25)		
Total Comment × Non Profit	0.301***		
	(3.03)		
Hired Former SEC Employee			0.511***
			(6.09)
Constant	-1.771***	-1.725***	-1.768***
	(-40.30)	(-40.08)	(-40.00)
Rule FE	✓	✓	✓
Organization Type FE		✓	✓
N	2970	2879	2879

Note: The unit of observation is organization–rule. t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Standard errors clustered at the organization level.

Table A4 – Comments, Meeting, Lobbying, and Citations in the SEC Final Rule

DV = Total Citation	(1)	(2)	(3)
Total Comment	1.078	3.414***	3.362***
	(0.96)	(5.50)	(5.49)
Total Meeting	2.879***	2.824***	2.818***
	(3.21)	(3.31)	(3.35)
Total Lobbying Report	0.141**	0.166**	0.101
	(2.10)	(2.47)	(1.61)
Total Comment × Corporation	3.518**		
	(2.19)		
Total Comment × Trade Association	3.942***		
	(2.89)		
Total Comment × Member of Congress	5.612***		
	(2.88)		
Total Comment × Local Government	0.220		
	(0.20)		
Total Comment × Law/Lobbying Firm	2.710**		
	(2.01)		
Total Comment × Non Profit	0.749		
	(0.51)		
Hired Former SEC Employee			5.334***
			(3.11)
Trade Association		1.793	2.248**
		(1.61)	(2.11)
Congress		0.513	0.838
		(0.43)	(0.70)
Local Government		-2.116***	-1.797***
		(-3.58)	(-3.14)
Law/Lobby Firm		0.156	-1.715
		(0.18)	(-1.56)
Non Profit		-1.326	-0.999
		(-1.25)	(-0.95)
Individual		-8.294***	-7.873***
		(-3.28)	(-3.09)
Other		-2.104	-1.782
		(-1.21)	(-1.03)
Constant	-0.326	0.405	0.0860
	(-0.34)	(0.43)	(0.09)
Rule FE	✓	✓	✓
Organization Type FE		✓	✓
N	3420	3420	3420
adj. R^2	0.240	0.225	0.229

Note: The unit of observation is organization–rule. t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Standard errors clustered at the organization level.

Table A5 – Comments, Meeting, Lobbying, and Citations in the SEC Final Rule: Including Interaction Terms between the Number of Meetings and Organization Types

	(1)	(2)	(3)	(4)
Total Comment	1.078	3.805***	3.414***	3.362***
	(0.96)	(4.56)	(5.50)	(5.49)
Total Meeting	2.879***	2.915	2.824***	2.818***
	(3.21)	(0.69)	(3.31)	(3.35)
Total Lobbying Report	0.141**	0.180***	0.166**	0.101
	(2.10)	(2.92)	(2.47)	(1.61)
Total Comment × Corporation	3.518**			
	(2.19)			
Total Comment × Trade Association	3.942***			
	(2.89)			
Total Comment × Member of Congress	5.612***			
	(2.88)			
Total Comment × Local Government	0.220			
	(0.20)			
Total Comment × Non Profit	0.749			
	(0.51)			
Total Comment × Law/Lobbying Firm	2.710**			
	(2.01)			
Total Comment × Trade Association		-0.206		
		(-0.05)		
Total Meeting × Corporation		1.264		
		(0.28)		
Total Meeting × Trade Association		-0.206		
		(-0.05)		
Total Meeting × Member of Congress		11.19**		
		(2.15)		
Total Meeting × Local Government		-4.664		
		(-0.92)		
Total Meeting × Non Profit		-2.432		
		(-0.56)		
Total Meeting × Law/Lobbying Firm		-2.998		
		(-0.71)		
Hired Former SEC Employee				5.334***
				(3.11)
Rule FE	✓	✓	✓	✓
Organization Type FE			✓	✓
N	3420	3420	3420	3420
adj. R^2	0.240	0.241	0.225	0.229

Note: The unit of observation is organization–rule. t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Standard errors are clustered at the organization level.

Table A6 – Comments, Meeting, Lobbying, and Citations in the SEC Final Rule: Including Market Value for Corporations

	(1)
	Total Citation
Total Comment	1.158
	(1.06)
Total Meeting	-0.488
	(-0.40)
Total Lobbying Report	0.437**
	(2.13)
Log Market Value	-0.337
	(-0.83)
Hired Former SEC Employee	12.04**
	(2.02)
Constant	5.861*
	(1.83)
Rule FE	✓
Organization Type FE	✓
N	265
adj. R^2	0.292

t statistics in parentheses
* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Note: Sample is comprised of corporations in the Compustat data. The unit of observation is organization–rule. t statistics in parentheses. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$. Standard errors are clustered at the organization level.

Appendix B. Example Comments

Senator Scott Brown's letter from https://www.sec.gov/comments/df-title-vi/prohibitions/prohibitions-43.pdf
Union Bank letter from https://www.sec.gov/comments/s7-45-10/s74510-289.pdf

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COMMITTEES:
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
ARMED SERVICES
VETERANS' AFFAIRS
SMALL BUSINESS

June 28, 2011

The Honorable Secretary Timothy Geithner
The Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Dear Secretary Geithner, Tim

I know that you and your staff are hard at work on an inter-agency basis to develop the new specific rules and regulations that will govern bank-affiliated asset management. As you develop these rules, I feel it is crucial to draw your attention to section (d)(1)(G)(ii) of the Dodd Frank act. This section of the bill is an area where members of both parties worked very hard to reach a compromise. My clear understanding of that compromise was that under the new rules, bank-affiliated investment funds would be able to continue to solicit investments from new qualified investors, provided that they abide by the SEC's longstanding rules governing these offerings.

As you know, banking entities are already subject to the SEC's requirement that they have a "substantive pre-existing relationship" ("SPR") with customers in order to satisfy the conditions for a private placement. It only makes sense for that standard to be apply to (d)(1)(G)(ii) as well. The FSOC study on this section of the bill has endorsed such an approach as one of the two possible standards. A SPR generally requires: awareness of financial experience and sophistication (an actual substantive relationship of a business nature), and a reasonable belief that the client is capable of evaluating the merits and risks of a proposed investment. Some of the examples of SPRs include existing clients of the banking entity, clients that previously invested in a hedge fund or private equity fund sponsored by the banking entity, potential investors who were previously solicited for other products, and potential qualified investors who are referred by another division of the banking entity, or an affiliate of the banking entity.

Unfortunately, the FSOC Study also proposed a possible alternative interpretation from other banking regulations that typically applies only to identity theft, privacy regulations and consumer provisions. These rules would restrict offerings to a much narrower definition of "customer" -- an individual or entity with an actual bank account or similar relationship with a bank. The application of this narrow definition - never intended for use in this context - would in my view likely lead to a wind-down of the bank affiliated asset management model, which would completely undermine the intention of the compromise that led to this section of the new law.

SCOTT P. BROWN
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SMALL BUSINESS

If new qualified investors are not permitted to invest in bank affiliated asset management vehicles, those dollars will instead end up in the hands of less-regulated players in the asset management business, starving the bank-affiliated model of investment capital. Such an interpretation would also increase the investment risk profiles for municipalities and their pension plan participants since they would have a narrower universe of managers to choose from and would be relegated to the pool of less-regulated independent funds.

Thank you in advance for your careful consideration.

Sincerely,

Scott P. Brown
United States Senate

CC:
The Honorable Ben Bernanke, Chairman, The Board of Governors, Federal Reserve System
Ms. Sheila C. Bair, Chairman, Board of Directors, Federal Deposit Insurance Corporation
Mr. Edward J. DeMarco, Director (Acting), Office of the Director, Federal Housing Finance Agency
Mr. Gary Gensler, Chairman, The Commission, Commodity Futures Trading Commission
Mr. William S. Haraf, Commissioner, Department of Financial Institutions, Business, Transportation and Housing
Mr. John M. Huff, Insurance Director, Department of Insurance, Financial Institutions and Professional Registration, State of Missouri
Mr. David S. Massey, Securities Director, Department of the Secretary of State, State of North Carolina
Ms. Deborah Matz, Chairman, The Board, National Credit Union Administration
Mr. Michael T. McRaith, Director, Federal Insurance Office, Under Secretary for Domestic Finance, United States Department of the Treasury
Ms. Mary L. Schapiro, Chairman, Offices of the Commissioners, United States Securities and Exchange Commission
Mr. John G. Walsh, Comptroller of the Currency (Acting), United States Department of the Treasury
Mr. S. Roy Woodall, Member (Intention to Nominate), Financial Stability Oversight Council, Office of the Secretary, United States Department of the Treasury

February 18, 2011

VIA ELECTRONIC MAIL
rule-comments@sec.gov

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Registration of Municipal Advisors; Release No. 34-63576; File No. S7-45-10; 76 Fed. Reg. 4 (January 6, 2011)

Dear Ms. Murphy:

Union Bank, N.A. (the "Bank") respectfully submits this letter in response to your request for comment on the Securities and Exchange Commission's ("SEC" or "Commission") proposed rules and related proposed interpretations that would implement registration of municipal advisors (the "Proposal"). We greatly appreciate this opportunity to provide our comments.

I. Background

The Bank is headquartered in San Francisco, California. As of December 31, 2010, the Bank operated 401 banking offices in California, Washington, Oregon and Texas, as well as two international offices. The Bank is owned by UnionBanCal Corporation, which has assets of approximately $79.1 billion as of December 31, 2010. UnionBanCal Corporation is a wholly-owned subsidiary of The Bank of Tokyo-Mitsubishi UFJ, Ltd., which is a subsidiary of Mitsubishi UFJ Financial Group, Inc. (MUFG, NYSE:MTU), one of the world's largest financial organizations. The Bank is a full service commercial bank providing an array of financial services directly and through its subsidiaries, including private banking, consumer and business lending, investment and financial management, and trust and custody services.

The Bank administers approximately $250 billion in trust assets, a portion of which is managed by HighMark Capital Management, Inc., a SEC-registered investment adviser and wholly-owned subsidiary of the Bank. Broker-dealer activities are conducted through UnionBanc Investment Services LLC, also a wholly-owned subsidiary of the Bank that is a dually registered SEC-investment adviser and broker-dealer.

The Bank, like many other commercial banks, provides a wide variety of products and services to governmental entities (generally referred to as "municipal entities"). These services and products include savings and checking accounts, direct loans, certificates of deposit ("CDs"), public finance, and trust and custody services. The Bank also responds to requests for proposals

from municipal entities regarding the banking products we offer, such as interest-bearing bank deposits, CDs and certain investments we make available to trust customers, such as money market mutual funds and other securities. The Bank is also an investor in securities issued by municipal entities and extends credit to municipal entities, such as when a city or township wants to buy a fire truck or build a new school, library or other similar facility. Furthermore, the Bank provides fiduciary and agency services to municipal entities by acting as trustee, fiscal agent or in other agency capacities for municipal debt issuances, escrow accounts, governmental pension plans and other similar customary governmental activities.

We generally agree with the comment letters submitted by industry groups, including the Securities Industry and Financial Markets Association, Financial Services Roundtable and American Bankers Association. However, we wish to emphasize, through this individual letter, that the Proposal, if adopted, would be significantly detrimental to the banking and brokerage industries, without any significant offsetting regulatory benefit. Moreover, we believe that the Commission would penalize the very municipal entities it seeks to protect as well as local communities and the taxpayers generally, if it adopts the Proposal without significant revision.

II. The Commission Should Exercise its Authority to Exempt Banks.

Banks should be exempt from the definition of "municipal advisor" and related interpretive guidance found in the Proposal.[1] The definitions and interpretations in the Proposal are so broad as to explicitly capture banks handling any funds of a municipal entity, regardless of whether the funds are proceeds from a municipal securities offering. As written, we believe the Proposal would result in an unnecessary overhaul of the current regulations that apply to banking and brokerage activities when a municipal entity is involved. We submit the following in support of our position.

There is no indication that in enacting Section 975 of the Dodd–Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") Congress intended to include banks in the universe of entities defined as "municipal advisor". Rather, as discussed in greater detail below, we believe, as set forth in comment letters from various organizations, including the American Bankers Association and SIFMA, Congress sought to regulate a heretofore unregulated group that advises municipal entities. Banks and their interactions with municipal entities are highly regulated, as discussed below, and the regulatory regime already in place covers all the activities that the Commission could deem "municipal advisory activities."

Furthermore, many of the banking services offered to municipal entities are not advisory activities. Because the Proposal does not define "advice," however, it is unclear whether a variety of bank activities that traditionally are not considered advisory activities could be deemed municipal advisory activities under the Proposal. We believe that the traditional banking services described below are not the intended focus of Dodd-Frank and that Congress did **not** intend to capture in the definition of "municipal advisor" banks that provide such products and services to municipal entities. Rather, these are traditional banking services that should not

[1] Please note that our reference to "banks" in the letter is intended to include U.S. domestic depository institutions as well as U.S. branches of foreign banks. In our view, such U.S. branches of foreign banks should receive regulatory treatment in the U.S. that is comparable to that of U.S. domestic depository institutions.

trigger registration as a municipal advisor. For example:

1. When a bank responds to a municipal entity's request for proposal with information about the types of CDs or other deposit products that a bank offers, the bank is providing information about its deposit products.

2. When a banker informs a municipal entity that it can get a better interest rate on a deposit account instead of a checking account; notifies a municipal entity that a sweep account is an alternative to a deposit account and may reduce the impact of certain charges for the municipal entity; suggests various cash management alternatives; or discusses various types of borrowing alternatives with its municipal clients, the bank is providing important information about the bank's products, services and associated interest rates and fees.

3. In the corporate trust context, banks serving as corporate trustees, escrow agents, fiscal agents, or in other similar capacities, often provide a list or menu of investment or sweep products that a bank makes available which are permitted investments under the municipal entity's investment guidelines governing the account. A bank trustee or agent does not exercise discretionary investment authority on behalf of the municipal entity or provide investment advice regarding which product the municipal entity should select. In all cases, the municipal entity directs the specific investment and ensures that the investment complies with the municipal entity's investment guidelines. In these transactions, a bank, whether acting as a trustee or agent, functions as a custodian and, to the extent it accepts any orders to execute securities transactions, is required to do so in accordance with the SEC's Regulation R, which implements statutory exclusions for banks from the definition of "broker."

4. In the context of liquidity facilities for municipal bond issuances, a bank does not issue a letter of credit unless it is satisfied with the terms and structure of the issuance. A bank negotiates with the municipal entity before it enters into an agreement to provide a letter of credit to a municipal entity. In this case, a bank is protecting its interests as a traditional and customary lender extending credit in accordance with applicable legal restrictions and regulations.

5. When a bank provides the terms upon which it would purchase as principal for its own account, securities issued by a municipal entity or obligated person such as bond anticipation notes, tax anticipation notes, revenue anticipation notes or other types of obligations, a bank is entering into an arm's length transaction with the municipal entity and must protect the bank's interests.

We believe that the local towns and districts that are looking to have a bank hold funds for their libraries, fire stations, schools and the like, would be surprised to discover that a bank providing these services is an advisor and fiduciary. We believe that the Commission should exercise its exemptive authority to exclude banks from the definition of "municipal advisor" and exclude these traditional banking services from the definition of "municipal advisory activities." This would preserve the current regulatory regime applicable to these activities and provide clarity for municipal entities about the nature of the services banks provide to them.

Furthermore, the Commission's Proposal expands the definition of "proceeds" to include all funds held by municipal entities including, but not limited to, bank, trust and custody accounts holding any monies of a municipal entity that may be used for investment, regardless of whether they are proceeds of municipal securities offerings. If this is the Commission's intent, then if adopted, the Proposal would likely trigger municipal advisor registration by a bank providing advice given about ANY "funds held by or on behalf of a municipal entity," whether or not such funds are "proceeds" of municipal securities offerings. We do not believe that Congress intended this result in enacting Section 975 of Dodd-Frank because Congress did not explicitly refer to all such funds. The Commission should not extend the coverage of the rule beyond the explicit language of Dodd Frank.

Likewise, the Commission's proposed definition of "investment strategies" is so broad as to potentially capture traditional bank products and services such as deposit accounts, cash management products and loans to municipal entities. These banking and trust activities are already subject to comprehensive oversight by bank regulators as well as by state treasurers, and need not be regulated as municipal advisory activities any more than underwriting or investment adviser activities regulated by the Commission. Any final rules that the Commission adopts should explicitly clarify this point.

We firmly believe that the Commission should exempt banks from the definition of "municipal advisor" as noted above. However, if the Commission does not exempt banks, we urge you to propose a revised rule with a new comment period, and consider the exemptions and clarifications discussed below.

III. The Proposal Should Apply Only to Unregulated Entities; in Particular, the Proposal Should NOT Apply to Regulated Banks, Broker-Dealers or Investment Advisers.

The intent of the Section 975 was to require registration and regulation of persons (whether individuals or entities) advising municipal entities with respect to debt proceeds. Congress appears to have been focused on addressing the risks associated with unregulated persons and entities rendering advice with respect to municipal derivatives, guaranteed investment contracts, investment strategies, and the issuance of municipal securities. Dodd-Frank does not evidence that Congress intended to expand and increase the regulation of the banking and brokerage industries already subject to substantial regulation. However, by proposing the expansive interpretations discussed here, the Commission risks transforming the applicable section of Dodd-Frank into a wide-ranging program of duplicative regulation that will impact large portions of the banking and brokerage industry. Traditional bank and brokerage activities should not be covered by this Proposal because they already are well regulated and, we believe, were not the intended subjects of this provision of the statute.

Banks are subject to rigorous and frequent examinations, as well as extensive regulation with respect to their activities including deposit taking, lending and trust services, by federal regulators such as the Office of the Comptroller of the Currency ("OCC"), the Federal Reserve Board, the Federal Deposit Insurance Corporation ("FDIC"), the Office of Thrift Supervision, or by state regulators. Banks are examined on-site by bank regulators on a regular basis. Some large

institutions, including the Bank, have permanent bank examiners onsite within the bank's premises throughout the year to continuously examine activities, including fiduciary activities. Banks are also subject to an additional layer of state laws, regulations, reporting and oversight that protect municipal entities, such as when a bank holds deposits made by municipal entities, a bank must comply with applicable state rules regarding collateralization. With respect to fiduciary accounts, state and federal regulations address various aspects of these activities, including the fiduciary obligations of a bank, potential conflicts of interest, and a bank's management of transactional, strategic, compliance, and reputational risks. Such extensive regulation, oversight and examination not only protect the interests of bank customers, including municipal entities, but also help ensure the safety and soundness of the banking institution.

The Federal Reserve and SEC together in Regulation R have articulated the specific conditions banks must satisfy in order to be exempt from broker-dealer registration with respect to securities related activities. The Proposal would impose a new layer of regulation on many of these activities when the client is a municipal entity without providing any additional benefit to municipal entities and potentially creating regulatory redundancy and potentially even conflict.

We believe that existing banking regulations, Regulation R and the regulators mentioned above already provide effective regulatory protection to all of a bank's customers who effect banking or securities transactions and that the additional regulatory scheme which the Proposal would mandate is not necessary for municipal entities, which constitute one client group that a bank serves.

Similarly, the Bank's two subsidiaries mentioned above, HighMark Capital Management, Inc. and UnionBanc Investment Services LLC, are already subject to a regulatory scheme applicable to their registered investment adviser and broker-dealer activities and ongoing regulatory examination by the SEC and FINRA. We do not believe that Congress intended for broker-dealers and registered investment advisers that already engage in regulated activities for their municipal clients to be subject to the additional layer of regulation that would accompany municipal advisor registration, nor do we think that municipalities would obtain any significant customer protection benefit if already regulated entities are subject to the additional regulatory burden and costs.

We believe that existing banking regulations, Regulation R and the other regulators mentioned above already provide thorough and effective regulatory protection to all of a bank's, registered investment adviser and broker-dealer's customers who effect banking or securities transactions and to all of a and that the additional regulatory scheme which the Proposal would mandate is not necessary for municipal entities, which constitute one client group that a bank and its subsidiaries and affiliates serve.

IV. Entities That Are Exempt From Registering Under the Advisers Act.

Dodd-Frank excludes from the definition of "municipal advisor" investment advisers registered under the Investment Advisers Act of 1940 (the "Advisers Act"). The Proposal would exclude from this statutory exclusion those investment advisers that engage in municipal advisory activities other than providing investment advice that would subject the adviser to the Advisers

Act. Therefore, it is possible that banks, which are statutorily excluded from the definition of investment adviser in the Advisers Act (except when they advise mutual funds), are not covered by the statutory or regulatory exclusions from the definition of municipal adviser because they are not investment advisers and therefore are not eligible to be registered under the Advisers Act. As a result, it is possible that activities involving municipal entities that are conducted pursuant to the statutory exception from the Advisers Act for banks could require municipal advisor registration by banks.

Congress long ago exempted banks from the definition of investment adviser and investment adviser registration and regulation because banks were already subject to extensive regulatory supervision and oversight.[2] We submit that the Commission should follow Congress' lead and, pursuant to Section 15B(a)(4) of the Exchange Act, exempt banks from the definition of "municipal advisor" when a bank provides any investment advisory services.

V. Entities that are Exempt Under the Exchange Act.

Banks also are excluded from the statutory definition of "broker" and "dealer" in the Securities Exchange Act of 1934 (the "Exchange Act"), to the extent that their securities activities are limited as enumerated in the Exchange Act as amended by the Graham-Leach-Bailey Act and further interpreted by Regulation R. The Proposal does not, however, recognize these statutory exclusions. We submit that the Commission should explicitly acknowledge that these activities will not be municipal advisory activities or otherwise cause banks to be municipal advisors when banks engage in these activities with municipal entities.

VI. Response to the Commission's Request for Comments.

A. Banks. With respect to the Commission's specific request for comments on the exclusions for banks proposed at 76 Fed. Reg. 824, 837, we submit that the Commission should provide specific exclusions from the definition of "municipal advisor," including those identified in the Proposal and listed below. We believe that these exclusions would be entirely consistent with the provisions of Dodd-Frank. The exclusions should at a minimum include:

1. "...banks providing advice to a municipal entity or obligated person concerning transactions that involve a "deposit," as defined in Section 3(l) of the Federal Deposit Insurance Act as an "insured depository institution," as defined in Section 3(c)(2) of the Federal Deposit Insurance Act, such as insured checking and savings accounts and certificates of deposit."[3]

A deposit is a traditional banking activity that does not involve giving advice. A deposit by a municipal entity is no different from any other deposit. Additionally, traditional banking activities are already subject to regulation at both the federal and state levels.

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[2] See the Advisers Act, Section 202(11).

[3] Please note that we also submit that such exclusion be broadened to include deposits at U.S. branches of foreign banks, consistent with our view that such U.S. branches should receive regulatory treatment comparable to that of U.S. domestic depository institutions.

2. "...banks that respond to requests for proposals ("RFPs") from municipal entities regarding other investment products offered by the banking entity, such as money market mutual funds or other exempt securities."

3. "...banks that provide to a municipal entity a listing of the options available from the bank for the short-term investment of excess cash (for example, interest-bearing bank accounts and overnight or other periodic investment sweeps) and negotiate the terms of an investment with the municipal entity."

4. "...banks that provide to a municipal entity the terms upon which the bank would purchase for the bank's own account (to be held to maturity) securities issued by the municipal entity, such as bond anticipation notes, tax anticipation notes, or revenue anticipation notes."

5. "...banks that direct or execute purchases and sales of securities or other instruments with respect to funds in a trust account or other fiduciary account in accordance with predetermined investment criteria or guidelines, including on a discretionary basis."

6. "...banks and trust companies that provide other fiduciary services to municipal entities, such as acting as trustees with respect to governmental pension plans and other similar capacities."

Banks should also be exempt from the definition of "municipal advisor" to the extent they provide advice that otherwise would subject them to registration under the Advisers Act, but for the operation of a prohibition to or exemption from registration.

7. "...entities that provide to municipal clients investment advice, such as research information and generic trade ideas or commentary that does not purport to meet the needs or objectives of specific clients, and is provided to a municipal entity as part of its ongoing ordinary communications."

B. Broker-Dealers. With respect to the Commission's request for comments regarding exclusions for broker-dealers, we submit that the Commission should provide such exclusions from the definition of "municipal advisor" as stated in the Proposal as follows, and that such exclusions would be entirely consistent with the provisions of Dodd-Frank:

1. "...a broker-dealer that provides a municipal entity with price quotations with respect to particular securities (or securities having particular characteristics) which the broker-dealer would be prepared to sell as principal or acquire for the municipal entity."

When a broker-dealer provides a municipal entity with price quotations or a list of securities it is not advice – the broker is not recommending one product over another but merely supplying product information.

2. "...a broker-dealer that provides to a municipal entity a list of securities meeting specified criteria that are readily available in the marketplace, but without making a

recommendation as to the merits of any investment particularized to the municipal entity's specific circumstances or investment objectives."

Although we acknowledge that in adopting Dodd Frank Congress did not provide a wholesale exclusion for brokers and dealers, but rather only when they are serving as an underwriter, we do not believe that Congress intended to impose an additional level of regulation on broker-dealers, when they are providing advice that is already subject to regulation. Advice that a broker or dealer provides that is "solely incidental to the conduct of his business as a broker or dealer and who receives no special compensation therefor" (Advisers Act, Section 202(a)(11)) should be excluded from the definition of "advice" that would make a broker or dealer who provides such recommendations a municipal advisor. In creating the Advisers Act exception from the definition of "investment adviser" for brokers and dealers who provide such advice, Congress recognized that this is a form of advice that does not require registration under the Advisers Act.

We do not believe Congress intended it to be subject to duplicative regulation pursuant to Dodd Frank. Brokers and dealers are regulated in connection with providing such advice by virtue of the suitability obligations to which brokers and dealers are subject under FINRA rules. We do not believe, that in adopting Dodd-Frank, Congress intended to impose an additional regulatory obligation on brokers or dealers when they provide recommendations to their municipal clients that are solely incidental to their business as brokers and for which they receive no special compensation. Accordingly, we urge the Commission to exclude broker-dealers who provide such advice or adopt a definition of "advice" that does not include broker-dealer recommendations that are solely incidental to their business.

VII. Burden of Implementation.

Implementing the Proposal as it currently stands would be burdensome and impose significant new costs on banks, requiring increased compliance and employee resources, customer service and relations, regulatory reporting, monitoring and recordkeeping and new and additional exams. Banks would likely have to internally reorganize their transactional operations, hire additional staff and compliance resources, retrain current employees and hire an outside vendor to comply with the recordkeeping requirements of the Proposal. Employees would also be stretched thin if they had to complete new registration forms (which we believe would require significantly more than the 6.5 hours noted by the Commission) and implement new procedures to comply with the new regulations. Also, if the Commission adopts the Proposal without modification, it is possible that banks may discontinue offering certain products and services to municipal entities that the municipal entities depend on banks to offer. Additionally, because the products and services banks offer to municipal entities already are regulated, we believe the burden of compliance with an additional regulation scheme would far outweigh any hypothetical benefits.

The Commission also seeks comment on whether it should permit "only separately identifiable departments or divisions of a bank (SIDs)". We believe that the Commission should not dictate the structure of a bank's municipal business. Rather, we urge the Commission to permit registration of SIDs on a voluntary basis. Given the dispersion of public finance activities throughout the bank, banks may not be able to consolidate the activities in a single department or division as is contemplated in the analogous language for municipal dealer SIDs. Currently, the

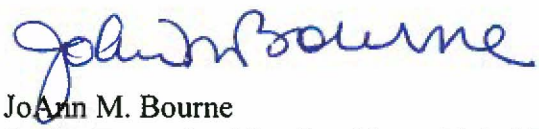
Bank is organized to provide services to a municipal entity from a variety of business units depending on the needs of the municipal entity. The Bank's activities with municipal entities (taking deposits, lending, corporate trust, etc…) are not isolated within one business unit. As a result, we do not think the referenced language is workable. The decision about how to best structure a bank and its products and services should rest with bank and should not be dictated by the Commission.

VIII. Allow Adequate Time to Implement Final Rules.

If the Commission decides to proceed with the Proposal without further modification, or even with subsequent revisions, we urge the Commission to allow adequate time for implementation of final rules. A bank may need sufficient time to assess whether the burden of municipal advisor regulation will be so significant that the bank must stop offering some or all of its products and services to municipal entities. Thus, an unintended consequence of Proposal, if adopted without modification, could be that municipal entities ultimately will have fewer service providers to choose from and the costs for existing services may escalate due to increased regulatory burdens.

Union Bank, N.A. is just as committed to protecting the financial interests of our customers, including municipal entities, as the Commission is to protecting investors. We believe that the comments discussed above are consistent with the goals of investor protection and making available financial services to investors at a reasonable cost. We thank you for this opportunity to comment and appreciate your consideration of our views. Should there be any questions regarding our comments, or if further information is needed, please feel free to contact Robin Dvorkin in the Bank's Legal Division at (415) 765-2183 or Robin.Dvorkin@UnionBank.com.

Sincerely,



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