

17 February 2011

Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-1090

Re: File Number S7-45-10
Sent via Regular Mail and email to rulecomments@sec.gov

Dear Secretary Murphy,

The Savings Bank is a \$420 million, state-chartered mutual savings bank headquartered in Wakefield where we have three offices. The Bank also has branch offices in Lynnfield (2), North Reading, Andover, and Methuen as well as trust and investment management offices in Newton and Leominster. The Savings Bank has been in operation since 1869. For over 140 years we have been very active in the communities we serve. We currently hold municipal deposits of approximately \$5.4 million. In the past twelve months, this amount has been as high as \$12.9 million.

I write to you today to express my concerns with Section 975 of the Dodd-Frank Act (“DFA”):

- DFA Sec. 975 requires registration of any company or individual that gives “advice” to a municipality on, among other things, investment strategies defined as plans or programs for the investment of the *proceeds* of municipal securities that are not brokerage of municipal escrow investments.
- “Advice” is not defined in the statute (nor in the proposed implementation rule).
- “Municipality” can apply to any entity owned or operated by state or local government. Examples would include public hospitals, municipal airports, public pension programs, etc.
- The SEC is proposing a permanent registration scheme that expands coverage beyond the term “proceeds” in the statute, meaning that anyone providing advice to a municipality regarding any of its funds whether or not from “proceeds” of municipal securities would require registration. The Municipal Securities Rulemaking Board (MSRB) will also require fee-based registration, education requirements, rules of conduct and fiduciary duties. Both the SEC and MSRB would require registration not only by the bank but also by individual employees giving “advice,” and would subject registrants to

potential examination and other reporting requirements. A temporary registration regime has been in effect since October 1st.

- **Traditional bank activities that could potentially be covered (not a complete list):**
 - o Bank deposits
 - o Cash management products
 - o Lending to municipalities directly or through third-parties for hospitals, airports, etc.
 - o Letters of credit supporting municipal bond offerings
 - o Advice to municipal pension plans (which are deemed to be municipalities themselves)
 - o Responses to RFPs from municipalities for investment products offered by banks such as money market funds or exempt securities
 - o Providing a list of options available from the bank for short-term investments and negotiating the terms of an investment;
 - o Providing the terms to a municipal entity upon which it would buy the entity's securities for the bank's own account;
 - o Banks acting as indenture trustees for municipal bond offerings; and
 - o Bank advisory activities provided pursuant to existing bank exemption from Investment Advisers Act

- **Enforcement and examination are not by bank regulators (as is the case with municipal securities dealers), but rather by SEC and possibly FINRA.**

- **Negative impacts:**
 - o Banks will be forced to incur significant costs to comply with MSRB requirements for traditional activities that are already subject to close supervision by bank regulators.
 - o Individual bankers who provide financial advice to local governments because they serve on municipal boards, commissions, advisory bodies (whether appointed or as volunteers) could be required to register as municipal advisors; bankers may decline to offer covered opinions or advice, or may even decline to serve on the boards rather than have to register.
 - o Local community banks might not take municipal deposits if they have to deal with the costs and burden of registration, meaning that local governments, school, libraries, etc., will have to go outside their communities for bank accounts.
 - o Banks that are forced to register to conduct traditional activities will necessarily pass those costs on to municipal customers.
 - o Banks will be subject to examination by yet another regulator subject to duplicate and possibly conflicting regulatory mandates.

As a mutual bank The Savings Bank has a Board of Corporators and a Board of Trustees. To put the impact of Section 975 into perspective as it would apply to The Savings Bank if in force today, please consider the following:

- I sit on a Town Financial Study Group formed to gather peer data to make recommendations on expense savings or revenue enhancements to the Board of Selectmen.
- A Vice President sits on a Town Finance Committee.
- A Trustee provides insurance coverage to the Town (bond, workers' compensation, general liability, etc.).
- Several Corporators serve:
 - On a Town Finance Committee (2)
 - As Director of the Library
 - As Chief of Police, Deputy Chief of Police, and Police Procurement Officer (all with budget responsibilities)
 - As Director of Economic Development for a City
 - On a School Committee
 - On the Board of Selectmen
 - Purchasing Manager for the Town's Schools
 - On the Board of Assessors

I ask your support in limiting the impact of DFA Section 975 both to the members of The Savings Bank family and, more importantly, to the towns and cities we support. Please exempt all banks from this proposal.

Thank you for your consideration of this request.

Sincerely,

Brian D. McCoubrey
President and Chief Executive Officer